

# Year in review – 2015

## Global Markets

EQUITY INDICES	31-DEC-2015	31-DEC-2014	% CHG
CAN: S&P/TSX	13,010	14,632	-11.1%
US: INDU	17,425	17,823	-2.2%
US: SPX	2,044	2,059	-0.7%
Nasdaq: CCMP	5,007	4,736	5.7%
Brazil: IBOV	43,350	50,007	-13.3%
Mexico: MEXBOL	42,978	43,146	-0.4%
UK: FTSE 100	6,242	6,566	-4.9%
Germany: DAX	10,743	9,806	9.6%
France: CAC	4,637	4,273	8.5%
Netherlands: AEX	680	648	5.0%
Italy: FTSE MIB	21,418	19,012	12.7%
Switzerland: SMI	8,818	8,983	-1.8%
Japan: NKY	19,034	17,451	9.1%
Hong Kong: HSI	21,914	23,605	-7.2%
Thailand: SET	1,288	1,498	-14.0%
Malaysia: KLCI	1,693	1,761	-3.9%
Singapore: STI	2,883	3,365	-14.3%
Taiwan: TWSE	8,338	9,307	-10.4%
Korea: KOSPI	1,961	1,916	2.4%
Manila: PCOMP	6,952	7,231	-3.9%
Australia: AS30	5,345	5,389	-0.8%
China: Shanghai	3,539	3,235	9.4%
India: Sensex	26,118	27,499	-5.0%

Year ending: December 31, 2015

REGIONAL INDICES	31-DEC-2015	31-DEC-2014	% CHG
MSCI All Country World Index	399	417	-4.3%
MSCI Europe	123	117	5.5%
Euro Stoxx 50: SX5E	3,268	3,146	3.8%
MSCI Emerging Markets Index	794	956	-17.0%
MSCI Asia-Pac ex Japan	411	467	-12.0%
MSCI EAFE	1,716	1,775	-3.3%

CURRENCIES	31-DEC-2015	31-DEC-2014	% CHG
U.S./CAD	0.72	0.86	-16.0%
CAD/Euro	1.51	1.40	7.7%
U.S./BP	1.47	1.56	-5.4%
JY/U.S.	120.32	119.70	0.5%
Euro/BP	1.36	1.29	5.3%
U.S./Euro	1.09	1.21	-10.2%
JY/BP	177.30	186.95	-5.2%

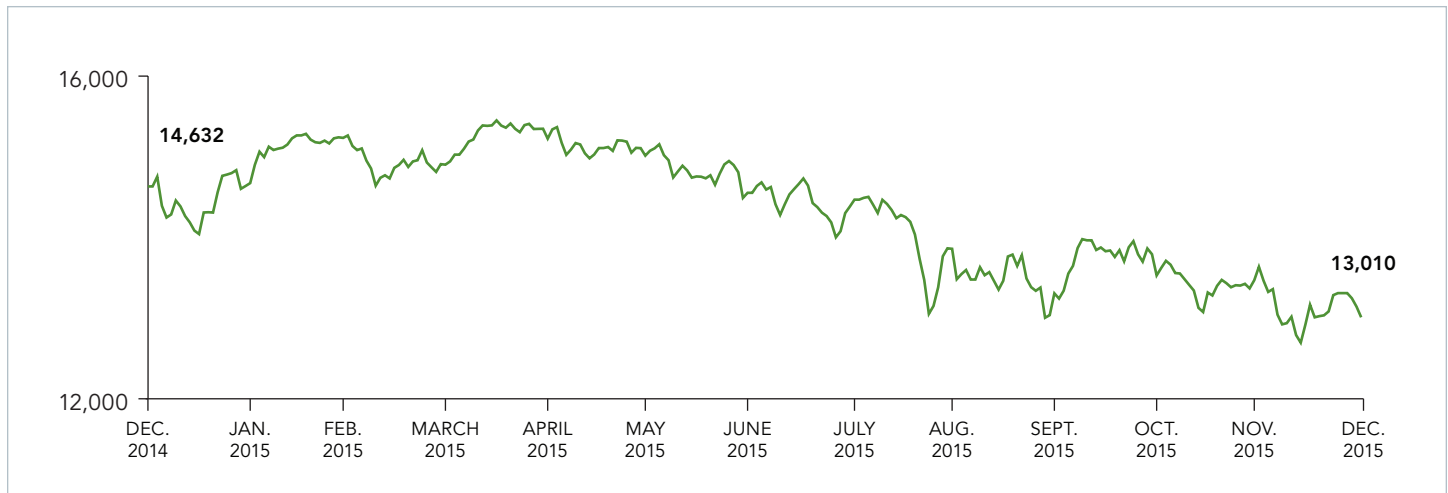
BOND YIELDS	31-DEC-2015	31-DEC-2014	CHG
10 yr Canada Govt.	1.39%	1.79%	-0.40
10 yr U.S. Treas	2.27%	2.17%	0.10
10 yr Germany Govt.	0.63%	0.54%	0.09
10 yr Japan Govt.	0.25%	0.33%	-0.08
30 yr Canada Govt.	2.15%	2.34%	-0.19
30 yr U.S. Treas	3.01%	2.75%	0.26

COMMODITIES	31-DEC-2015	31-DEC-2014	% CHG
Gold US\$/oz.	1,061.1	1,184.4	-10.4%
Oil US\$/bbl.	37.0	53.3	-30.5%

Source: Datastream.  
Index returns are in local currency. All returns are price returns and do not include dividends.

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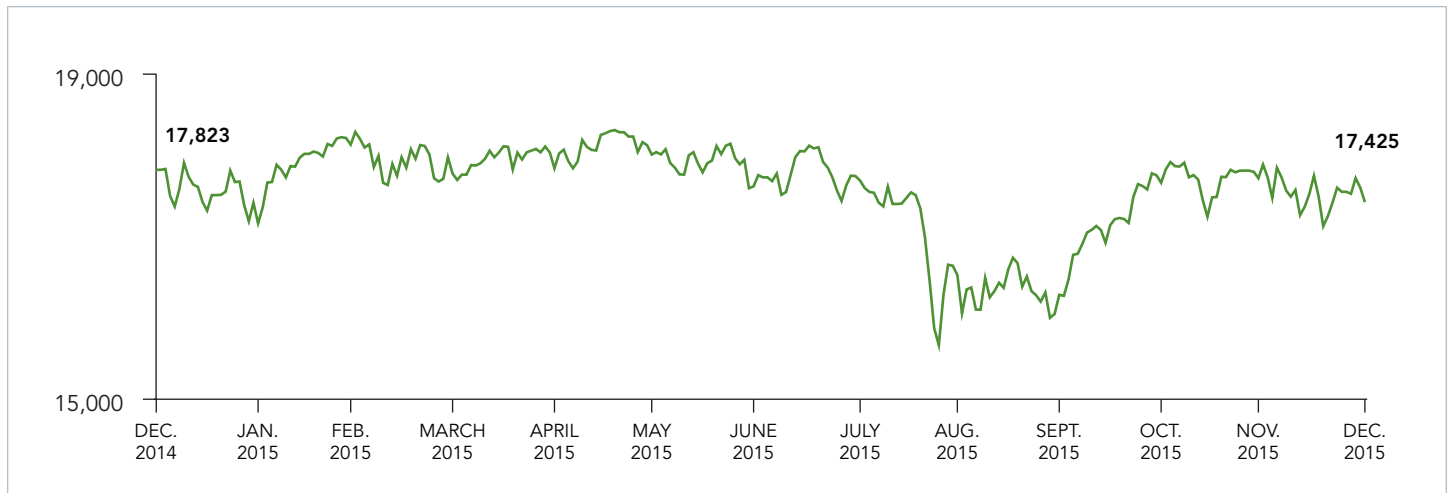
## Canada – S&P/TSX Comp. Index



- Canadian stocks declined 11.1% in 2015, led by energy stocks, which tumbled with falling oil prices. Mining stocks also declined as signs of decelerating growth in China, Canada second-largest trading partner, drove speculation that demand for resources will subsequently fall. Commodity stocks fell on concerns that the U.S. Federal Reserve may raise interest rates, which would reduce the attractiveness of commodities such as gold. Eight of the ten GICS sectors fell during 2015; the energy and materials sectors declined the most, while the information technology sector advanced the most.
- The Canadian economy declined in the first two quarters of 2015, led by a slump in commodity prices and investments in the non-residential construction and machinery and equipment sectors. However, the Canadian economy rebounded in the third quarter of 2015 with an annualized growth rate of 2.3%, compared with a decline of 0.3% in the second quarter and of 0.7% in the first quarter of 2015.
- The Bank of Canada implemented two rate cuts in 2015 in an attempt to spur economic activity and decrease the value of the Canadian dollar. The Bank of Canada lowered its benchmark interest rate in 2015 to 0.5%, from 1.0% in 2014, citing a deeper-than-expected impact of the decline in oil prices and a sluggish recovery in non-energy exports.
- Consumer prices in Canada rose during 2015. Prices climbed in every major category of its consumer price index, compared to a year earlier – except for transportation, largely due to the sharp fall in gasoline prices. Inflation in November 2015 stood at an annual rate of 1.4%, boosted by the cost of food and shelter, compared with 1.0% in January 2015.
- Canada's overall employment situation deteriorated in 2015. The country's unemployment rate increased to 7.1% in November, from 6.6% in January. However, the increase in unemployment rate was primarily due to an increased labour force participation rate.
- Canada's trade deficit continued to widen in 2015. Canada's trade deficit increased to \$2.8 billion, from \$1.6 billion in January, led by a decline in non-energy exports. Exports declined in ten of 11 sectors, led by the farm, fishing and intermediate food products sector. At the country level, a 2.8% drop in exports to the U.S. contributed to an increase in the trade deficit.

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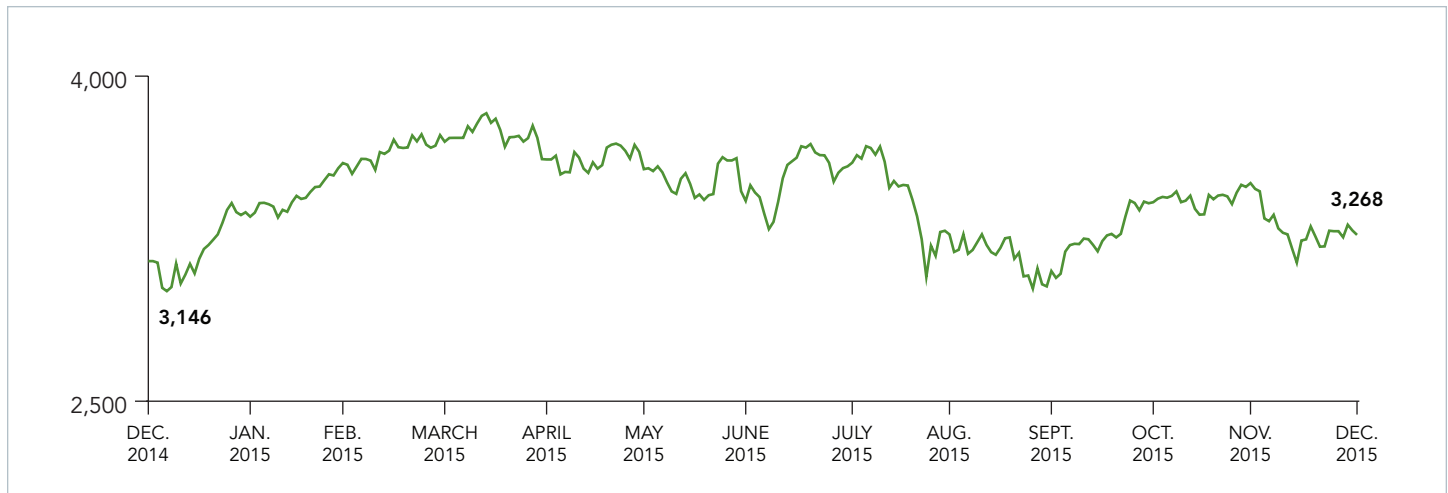
## U.S. – Dow Jones Index



- U.S. equities' performance was mixed in 2015. The Dow Jones Index declined 2.2%, and the S&P 500 Index fell 0.7%, while the Nasdaq rose 5.7%. U.S. equities were boosted by strong economic data, accommodative monetary policies, better-than-expected corporate results and continued merger and acquisition activity. However, there were periods of volatility arising out of concerns about slowing economic activity in China, a surging U.S. dollar and interest rate speculation. Additionally, U.S. markets were negatively affected after the collapse of the Greek bailout talks intensified fears that Greece could exit the eurozone, which resulted in investors dropping riskier assets such as equities.
- The U.S. economy continued to expand in 2015, driven by robust household spending and fixed investment. The U.S. economy expanded at an annualized rate of 2.0% in the third quarter of 2015, compared with a growth of 3.9% in the previous quarter.
- In December 2015, the U.S. Federal Reserve (the Fed) raised the federal funds rate by 25 basis points, to between 0.25% and 0.50%, for the first time since 2006, after maintaining its accommodative monetary policy and making no change to the federal funds rate throughout the year. Though the Fed was confident that the U.S. economy was strong enough to keep growing with a little less help from the central bank, it pointed out that the economic conditions will evolve in a manner that will warrant only gradual increases in the federal funds rate.
- The inflation rate in the U.S. rose significantly during 2015 and reached an annual rate of 0.5% in November. It was the highest rate in 2015, with energy costs declining at a slower pace and the prices of services (excluding energy) growing slightly more than in the previous month. Annual core inflation, which excludes food and energy, accelerated to 2.0% in November 2015, the highest since May 2014.
- The U.S. unemployment rate declined substantially in 2015, reaching 5.0% in November, marking the lowest level in seven years, from 5.7% in January. The improvement in the labour market was led by robust nationwide hiring in an improving economic scenario.
- The Thomson Reuters/University of Michigan's consumer confidence index for the U.S. declined in the first half of 2015, primarily due to increased concerns about global growth. However, the level remained above the 90.0 mark, indicating continued positive consumer sentiment, driven by improved labour market conditions in the U.S. The index rebounded in the second half of the year; consumers were more optimistic about their current conditions. The index stood at 92.6 for December 2015.

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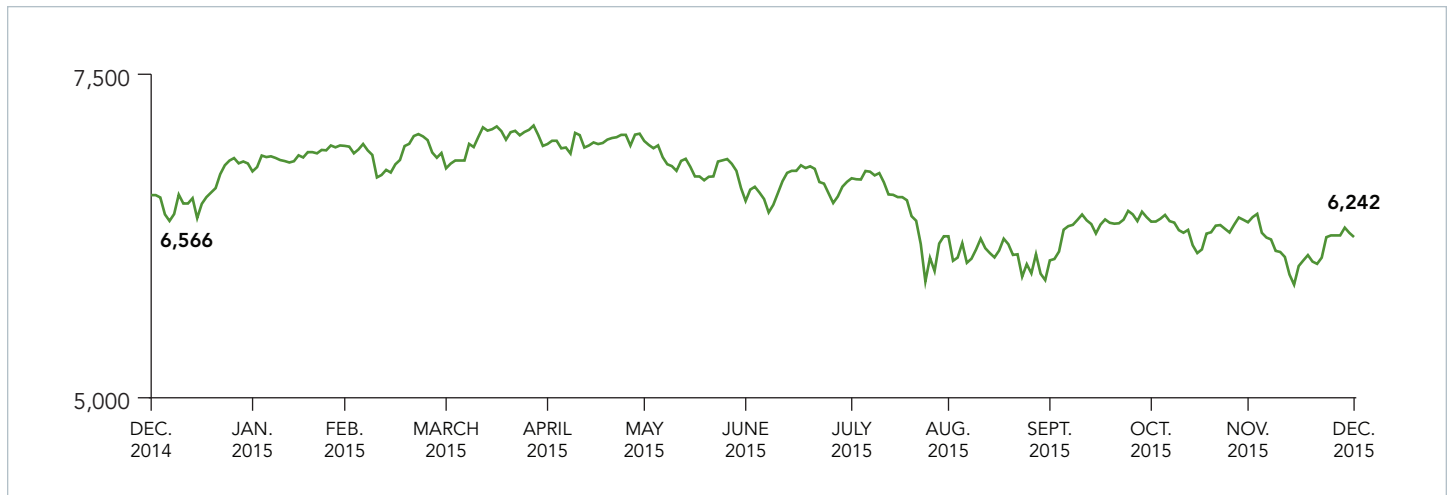
## Continental Europe – DJ Euro Stoxx 50



- European stock markets performed well in 2015. The broader European stock markets were supported by an aggressive easing package from the European Central Bank earlier in the year, as well as a weak euro that helped boost exports. The DJ Euro Stoxx 50 Index gained 3.8%, and Germany's DAX Index rose 9.6% for the year. France's CAC Index moved up by 8.5%.
- The eurozone's economy expanded in the third quarter by 0.3%, following an increase of 0.4% in the second quarter. Household consumption was the main driver of growth, offsetting a negative impact from external trade. This slowdown in economic growth happened as exports to large developing economies such as China and Brazil weakened.
- Industrial production in the eurozone rose by 1.9% year-on-year in October 2015. Production of durable consumer goods and capital goods mainly drove this rise. Among member states for which data were available, Ireland, Lithuania, the Czech Republic and Croatia recorded the highest increases, while the Netherlands, Estonia and Greece saw the largest decreases.
- In 2015, the European Central Bank maintained its benchmark interest rate at a record low level of 0.05%, to stimulate the region's economy.
- In 2015, unemployment rate in the eurozone declined to 10.7% in October, compared to 11.3% in January. Among member states, the lowest unemployment rates for October were recorded in Germany, the Czech Republic and Malta, and the highest in Greece and Spain.
- The eurozone's inflation increased in 2015, reaching 0.2% in November, up from -0.6% in January. Prices of vegetables and at restaurants and cafés rose, while the cost of energy dropped. On a month-on-month basis, consumer prices declined in November by 0.1%.

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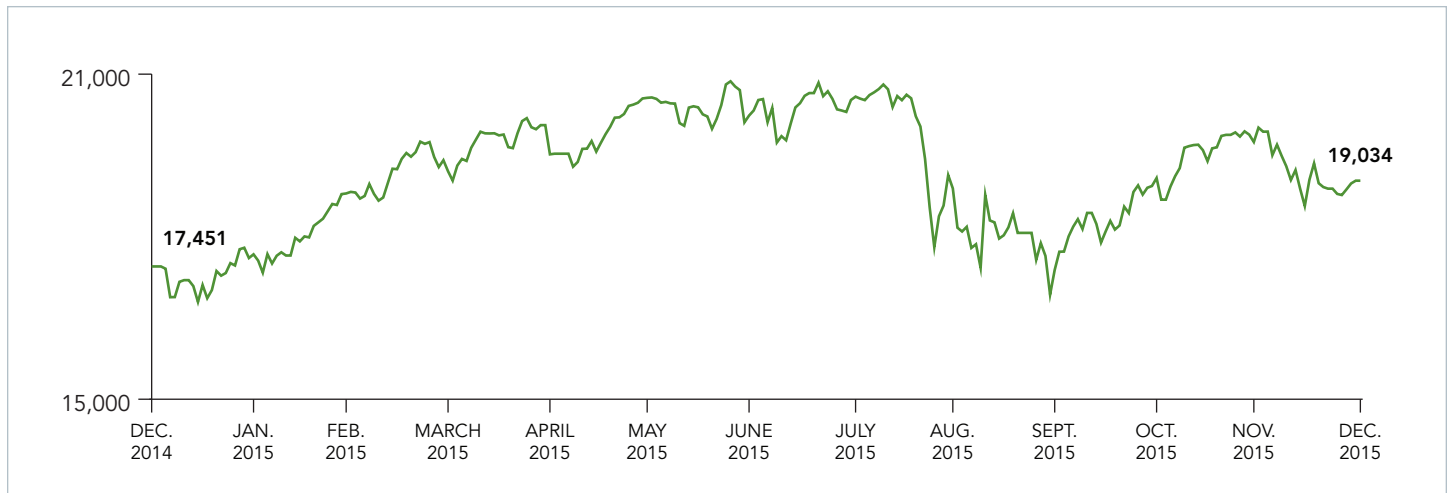
## U.K. – FTSE 100 Index



- The U.K. stock market, as measured by the FTSE 100 Index, declined 4.9% in 2015, largely due to the continued slump in oil and metals prices.
- The U.K.'s GDP expanded in the third quarter by 0.4%. The low rate was attributed to weak growth in the dominant U.K. services sector, especially financial services. The third-quarter growth was lower than the 0.5% rise recorded in the previous quarter.
- The Bank of England (BOE) continued to provide monetary policy support to sustain the economic recovery. Policy makers also showed concerns about slower wage growth. The BOE maintained its key interest rate at 0.5% in 2015, the same level as in 2014, while maintaining its asset purchase program at 375 billion pounds sterling, financed by the issuance of central bank reserves.
- The unemployment rate in the U.K. continued to decline during 2015. It stood at a five-year low of 5.2% in October, down from 5.7% in January. The unemployment rate fell for the fourth straight period to its lowest since May 2008. However, earnings grew at their slowest pace since March.
- Industrial production in the U.K. picked up in 2015. On a year-on-year basis, industrial production grew by 1.7% in October, reflecting a rise in mining and quarrying, while manufacturing shrank by 0.1%.
- The inflation rate in the U.K. continued to decline in 2015, reaching an annual rate of 0.1% in November, from 0.3% in January. The months of April, September and October saw inflation going down to -0.1%. This low inflation was driven by falling costs of transport and food, even as housing, utilities, restaurants and hotels recorded price rises.

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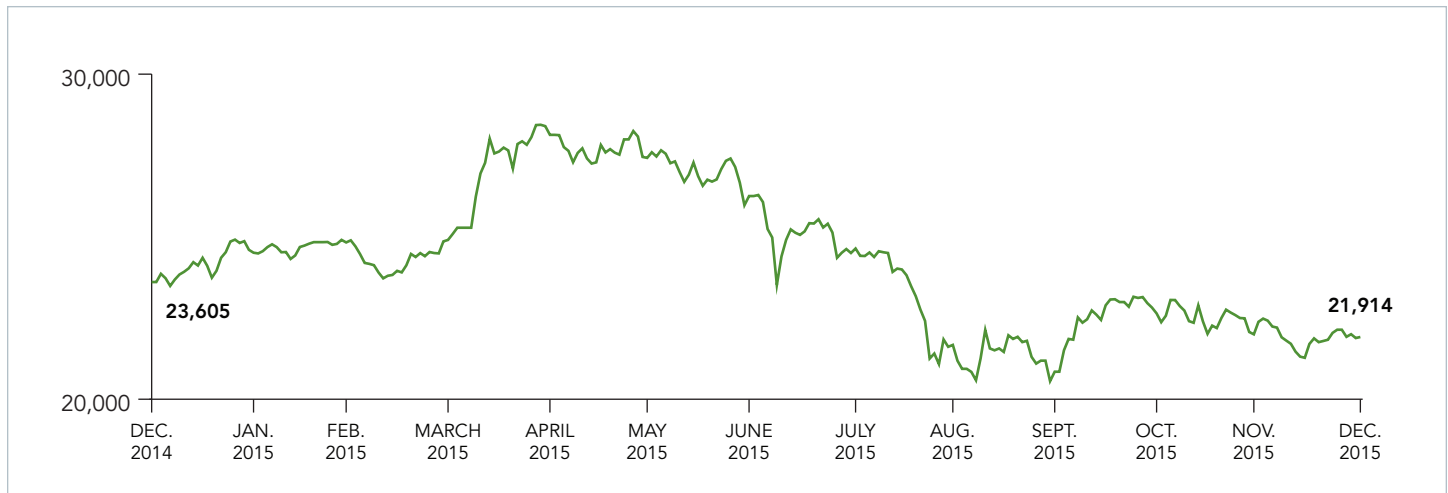
## Japan – Nikkei 225



- The Nikkei gained 9.1% during the year, compared with a gain of 7.1% for the previous year. The Japanese equity market performed well, driven by improvements in corporate earnings and capital efficiency that helped lift investor sentiment.
- Japan's economic expansion was derailed in 2015, particularly in the first two quarters, due to a sharp slowdown in demand from China and other Asian countries, and due to sluggish private consumption. However, the economy rebounded in the third quarter of 2015, driven by an increase in capital expenditure, and grew at a rate of 0.3%, compared with a contraction of 0.1% in the previous quarter.
- Industrial production in Japan fell during most of 2015 as slowing growth in China – Japan's biggest trading partner – weighed on exports. A decline in private consumption also weighed on industrial production in Japan.
- The Bank of Japan held its key interest rates in the range of zero to 0.1%, in an effort to stimulate economic growth. Japan's government announced plans to raise the minimum wage and introduce other steps to revitalize the economy. It also announced plans to offer some financial support to people living off their pensions, to bolster consumer spending.
- Japan's unemployment declined in 2015, with the unemployment rate falling to 3.3% in November 2015, from 3.6% in January 2015, as the availability of jobs edged higher.
- Japan's inflation rate declined significantly in 2015, led by a sharp fall in fuel, light and water charges. In November 2015, the inflation rate in Japan reached 0.3%, from 2.4% in January 2015.

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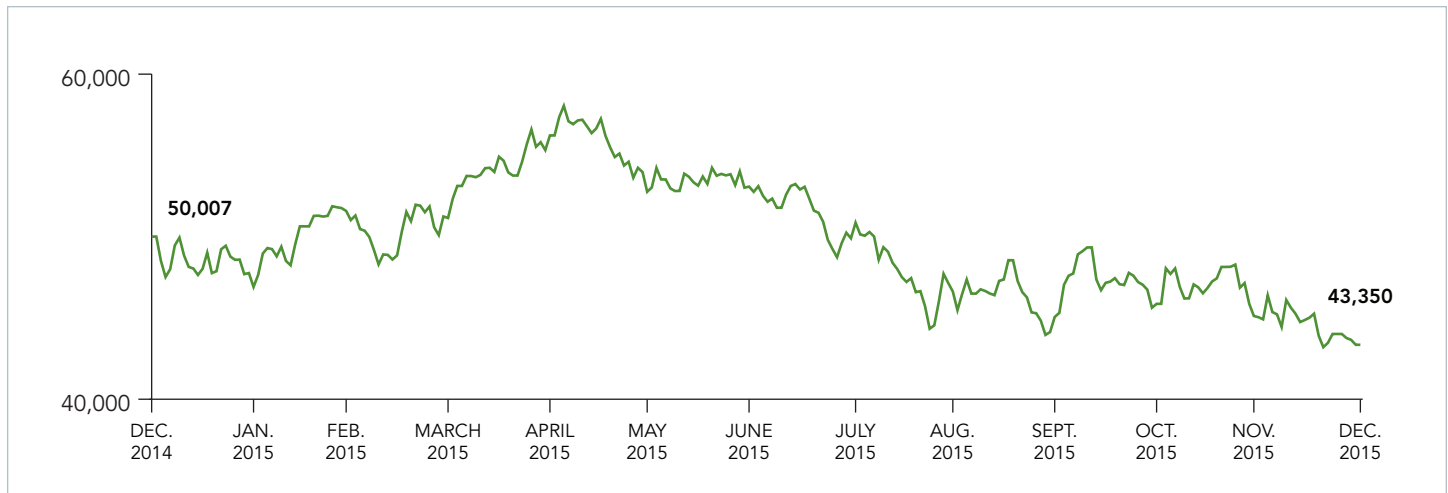
## Southeast Asia – Hang Seng



- Asian stock markets reported mixed performance in 2015. China's stock market was one of the strongest markets in 2015, with the Shanghai composite index gaining 9.4%, amid a landmark currency depreciation, unprecedented state intervention and surprise interest rate cuts. India's Sensex lost 5.0%, due to continued weakness in the economy, driven primarily by a slowdown in exports and subdued domestic demand. Hong Kong's Hang Seng lost 7.2%, led by fears of a global economic slowdown amid the continued fall in crude prices.
- Asian economies (excluding Japan) continued to grow at a moderate pace in 2015. China's GDP grew in the third quarter of 2015 at a slower rate of 1.8% quarter-on-quarter, compared with the 1.9% growth seen in the third quarter of 2014. The economy grew by 1.3% and 1.8% in the first and the second quarters of 2015, respectively. The growth remained weak, primarily due to a slowdown in industrial output, sluggish property investment and a contraction in exports.
- China's annual inflation rate was recorded at 1.5% in November 2015, unchanged from the rate recorded at the end of 2014, primarily led by an increase in food prices, while non-food costs rose at a slower pace.
- The People's Bank of China cut its benchmark one-year lending rate to 4.35% on October 23, 2015, aiming to bolster the economy. Policy makers also decided to lower the reserve requirements for banks. The key interest rate stood at 6.0% at the end of December 2014.
- India's GDP grew in the third quarter of 2015 at a slower rate of 1.9% quarter-on-quarter, compared with the 2.1% growth seen in the third quarter of 2014. The economy grew by 2.0% and 1.7% in the first and the second quarters of 2015, respectively. The growth was boosted by financial, real estate, insurance and manufacturing activities.
- Consumer prices in India grew 5.4% year-on-year in November 2015. The inflation rate accelerated for the fourth straight month to reach its highest level since October last year, boosted primarily by a surge in food costs. The inflation rate stood at 5.0% at the end of December 2014.
- The Reserve Bank of India cut its benchmark interest rate by a higher-than-expected 50 basis points, to 6.75%, on September 29, 2015. It was the fourth reduction in 2015, bringing the rate to the lowest since April of 2011 as policy makers tried to bolster the economy.

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## Latin America – Brazil IBOV



- Latin American stock market returns fell in 2015. Brazil's Ibovespa declined by 13.3% amid worsening political and economic scenarios. Mexico's MEXBOL fell 0.4% after the start of U.S. monetary tightening and a slump in world oil prices led the peso fall to all-time lows against the U.S. dollar.
- The Brazilian economy contracted in the first three quarters of 2015, led by declines in household spending, investment and government expenditure. The economy contracted by 4.5% year-on-year in the third quarter of 2015, after shrinking by 3.0% and 2.0% year-on-year in the second and first quarters of 2015, respectively. The contraction in GDP is the sixth consecutive contraction and the worst since modern records began in 1996.
- Unemployment in Brazil rose through 2015 and stood at 7.5% in November 2015, after reaching a peak of 7.9% in October 2015, primarily led by political paralysis in the country. At the end of December 2014, the unemployment rate stood at 4.3%.
- The Central Bank of Brazil maintained its key interest rate at 14.25% on November 25, 2015, the highest level in nine years, as policy makers struggled to curb rising inflation amid economic contraction. The key interest rate stood at 11.75% at the end of December 2014.
- Brazil's annual inflation rate stood at 10.5% in November 2015, increasing from 6.4% at the end of December 2014. The country has struggled with stubbornly high inflation since mid-2014, after the government imposed several tax increases aiming at balancing overall budget, while the Brazilian real fell around 46% against the U.S. dollar in the first eleven months of the year.
- The Mexican economy advanced 0.8% quarter-on-quarter for the third quarter of 2015, higher than the 0.6% growth registered in the third quarter of 2014. It is the strongest expansion in two years, boosted by a rebound in the industrials sector and growth in services.
- Consumer prices in Mexico increased only 2.2% year-on-year in November 2015. The inflation rate has been below the central bank's 3.0% target since May, due to sluggish growth and lower telecom and housing-related prices. Inflation stood at 4.1% at the end of December 2014.

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