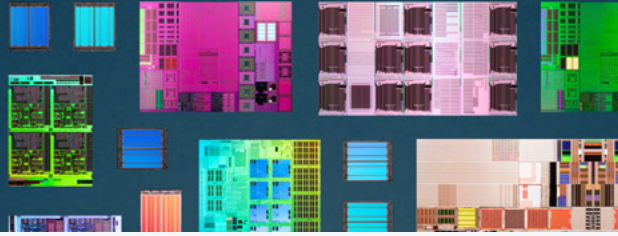


Analyst Survey 2026 A power puzzle

Politics, prices, and the AI conundrum
from the ground up

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Foreword

The 2026 Analyst Survey lands at a critical time for global markets. Top-down factors may be driving the narrative, but are the moves we've seen backed up by facts on the ground?

We publish the Analyst Survey each year to show you the world through the eyes of Fidelity International analysts. Clients tell us they use the Survey to complement their own in-house research and provide a fundamental, bottom-up view that informs internal debates. Whether our findings support their thinking or challenge it, the Analyst Survey provides something you won't find anywhere else.

This year's report is based on the responses of over 120 of Fidelity's analysts from around the world. You'll hear their thoughts on topics as varied as rare earth metals, Asia's corporate reforms, energy prices, humanoid robots, the effects of geopolitics on companies' bottom lines, and much more.

Our analysts share what they've learned from speaking to CEOs, from field trips, from conversations with other market professionals, and from the painstaking work they do every day, collaborating with Fidelity colleagues across asset classes to understand what the market's getting right - and what it isn't. This work is becoming ever more valuable as we use new technologies to scour the 1,000 or so research notes analysts publish in a typical week, allowing us to build highly detailed pictures of companies and industries and respond to shocks swiftly. You'll also see examples from our portfolio managers of how the research directly drives investment performance.

Fidelity's clients trust us to make decisions that affect them financially. It's a responsibility that requires expertise grounded in careful analysis and judgement, and our research reflects that. It's a privilege to work every day with the people who do this work and see how they're able to get closer to the facts that matter. We trust you'll find our analysts' views informative, thought provoking, and timely.



Niamh Brodie-Machura
Chief Investment Officer,
Equities



Marion Le Morhedec
Chief Investment Officer,
Fixed Income

Confidence and a K-shaped economy



Rebecca Motta
Director of Research, Fixed Income



John Stavis
Head of Equity Research, Asia

Companies are experiencing a once-in-a-generation investment boom across a growing list of industries, but there are nascent signs that AI is already suppressing wages, and potentially consumer demand with it.

Key takeaways

- Corporate confidence has been steadily rising in recent years, boosted by the optimism around tech.
- But cost pressures are one fly in the ointment, with most analysts expecting these to rise in 2026.
- Geopolitics is making growth uneven and threatens its stability.

The results are in: the AI investment boom has companies feeling better than at any point since the chaotic aftermath of the Covid pandemic. In the background, however, hang risks to raw material costs, wages, and household spending that threaten to weigh over the global economy for years to come, the more so with conflict in the Middle East.

Those are the central conclusions of this year's Fidelity International Analyst Survey, the product of the detailed observations of more than 120 specialised analysts who cover companies all over the world in eye-watering detail. Spaced across equities and fixed income, they've reported back from more than 20,000 meetings with C-suite executives over the last year. And, overall, the message is positive.

Management confidence nears highs

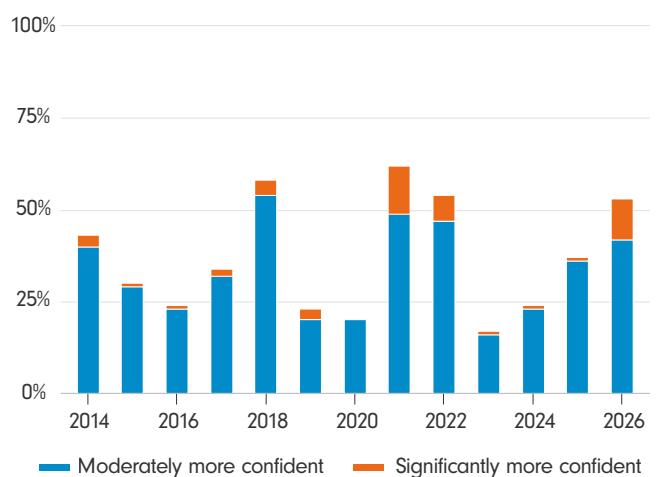


Chart shows percentage of analyst responses to the question 'How would you describe the confidence level of your companies' management teams to invest in their businesses over the next 12 months, compared to the previous 12 months?'

Source: Fidelity International Analyst Survey, March 2026.

The analysts are clear on the source of that optimism: we are in the middle of the biggest investment boom in years, driven by spending on artificial intelligence and all of the infrastructure needed to deliver it.

“AI pull-through is broadening,” says Terence Tsai, the leader of a team of tech analysts who cover semiconductor producers globally. “The buildout is expanding, not peaking.”

That development is bolstering spending by the customers of a wide range of businesses and points the way to streams of revenue that extend years into the future. Information technology is the clearest beneficiary but the effects are also strongly visible in the materials and energy sectors, where demand for power and the commodities needed to construct a world of new data-centres and power plants follows more than a decade in the doldrums. Some 64 per cent of materials sector

Portfolio story: An M&A deep dive



Aditya Shivram
Portfolio Manager

To buy into an idea, sometimes you need a passionate analyst to bring it home.

Last summer, our analyst covering consumer staples, Fenella Atkinson, recommended a US company that holds several well-known personal and household care brands. It caught my eye because the company share price was not having a good year: all things AI were rising and more defensive subsectors like consumer staples were selling off to fund it.

I wasn't quite convinced and moved on, but after Fenella's flag I continued to watch as the share price fell further. If I could gain faith in the company's fundamentals, it would be appealing.

Fenella's own conviction continued to grow. She believed the structural case for the stock was to do with its M&A record. Bolt-on acquisitions are a standard strategy for well-known staples names, but this company manages its portfolio of brands actively, selling off poor performing ones and acquiring others that it can scale up through its distribution network.

Fenella had already done a lot of work on the outcome of several of the group's previous takeovers. Much of the detail was buried because the company hadn't been breaking down the post-deal sales of many of its purchased entities. We carried out diligence on those – some of it sectoral, some of it based on prior knowledge and experience of the market, and we did plenty of digging amongst the company's reports and earnings calls. Fenella initiated more direct contact with its management too.

Strength in numbers

The research meant she could back out the numbers and work out whether a handful of previous deals had been positive for the company's sales and bottom line. They had. This put us in an especially strong position when it came to taking a view on a fresh acquisition the company had made. The market didn't like it, but the numbers told us it was better than many thought.

To determine whether the company had simply been fortunate in its M&A activity, we turned our attention to the management team: who they were, how they were operating, and how their ideas differed from their peers. Fenella met with the CEO and walked through his acquisition criteria with him. We organised further meetings with both the CFO and the CEO. It convinced us that the deals they were doing were not just things they had jumped on because they suited them at a particular moment. It was something they were doing consistently over time. Sometimes they did have to take write-downs on their assets as they divested. But in aggregate, we could see that this portfolio reshaping was value-accretive to the business.

Companies always tell you what they want you to hear, but when you can check it against the numbers, it goes a long way to gaining conviction.

analysts say company managers are moderately or significantly more confident about the coming year than the previous, compared to 81 per cent in the IT sector.

“Orders are off the charts,” says Srishti Sinha, who covers the US power companies tasked with delivering several percentage points of additional capacity every year for the rest of the decade. “My sector utilities have increased their five-year capex plans by 20 per cent when they rolled forward, and that was after a 20 per cent increase last year as well.”

The investment boom broadens

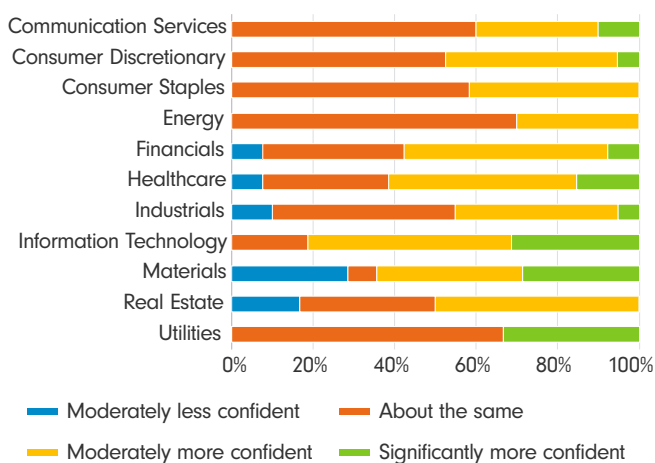


Chart shows percentage of analyst responses to the question ‘How would you describe the confidence level of your companies’ management teams to invest in their businesses over the next 12 months, compared to the previous 12 months?’

Source: Fidelity International Analyst Survey, March 2026.

Expectations on mergers and acquisitions also speak to the glut of money circulating. About half of industrials analysts expect M&A deals to be more prevalent this year versus a third a year ago. And while the volume of IT deals may be held back to some degree by companies pouring capital into the AI buildout, 63 per cent of IT sector analysts now expect a rise in M&A in the months ahead.

“Achieving meaningful productivity gains from AI in system integration may require a certain level of scale,” says Japanese sector analyst Noriyuki Takizawa. “Larger players may therefore seek consolidation to strengthen their AI implementation capabilities. Overall sector valuations are [also] meaningfully cheaper than they were two to three months ago.”

AI buildout to bring more M&A?

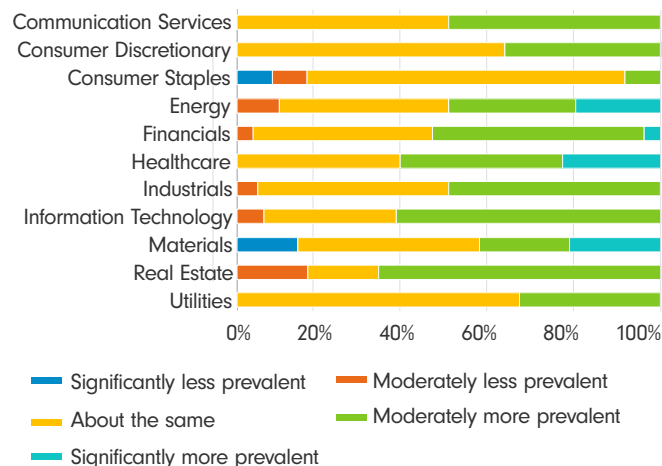


Chart shows percentage of analyst responses to the question ‘Do you think M&A will be any more or less prevalent among your companies over the next 12 months?’

Source: Fidelity International, March 2026.

There is of course a catch.

Costs have increased significantly in the past year across sectors and many expect those pressures to rise further in the months ahead. Only 8 per cent of analysts covered by the survey expected inflationary pressures to ease off in the next 12 months. Half said pressures would continue at the same level and 40 per cent expected a rise.

Some 64 per cent of materials sector analysts say company managers are moderately or significantly more confident about the coming year than the previous

Crucially, however, the results also point to a divergence in wage and non-wage cost pressures. The survey’s quarterly indicator on expectations for labour costs over the next six months is close to zero for the first time in 3 years.

It is telling then that most of the analysts covering consumer companies in the annual survey point to affordability, its impact on poorer consumers, or overall demand as their biggest concern for the year ahead. Yes, they say, for middle America they're constructing a new power plant across the road to fuel the gigantic datacentre warehouse on the other side of town. And out beyond the suburbs there might be a copper mine delivering on the enormous demand for power cabling. But for consumers not benefitting from stock market gains, or higher interest rates, or returns on gold, the picture is bleaker. Fuel costs will continue to rise, and wages will not.

"I think rising unemployment and a consumer spending pullback would be the biggest risk to fundamentals of my companies over the coming 12 months," says Chase Bethel, who covers Walmart, Costco, and a host of other US retailers.

The other big risk many cite is the geopolitical backdrop. Jousting by governments over industrial commodities raises costs and pressures manufacturers' margins. The supply side-driven inflation may prevent central banks from cutting interest rates. That will become even harder if governments wind up spending to offset the impact of higher oil and gas prices on lower-income households, drawing base long-term interest rates higher. In addition,

private credit fundamentals are under pressure and showing early but accumulating signs of stress.

The price of politics

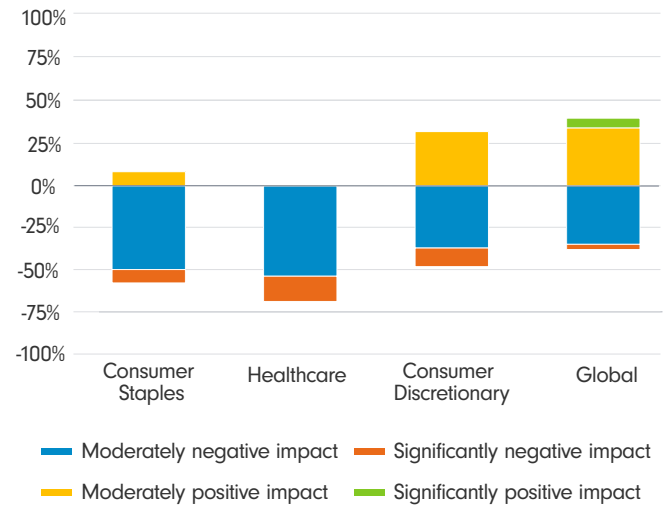


Chart shows percentage of analyst responses to the question 'What impact do you expect new/ changing geopolitical or monetary factors (e.g. protectionism, fiscal/monetary policies, elections, defence, security or FX) will have on your companies' profitability over the next 12 months?' Source: Fidelity International Analyst Survey, March 2026.

Healthcare analysts also point to the fiscal fallout of militarised conflict, adding to widespread concern in the sector about political pressure to regulate pricing more aggressively.

"Healthcare is a significant line item in the budget for all countries," says analyst Justin Teo. "As other priorities like defence spending take precedence, there's increased pressure on healthcare budgets."

Cost pressures grow

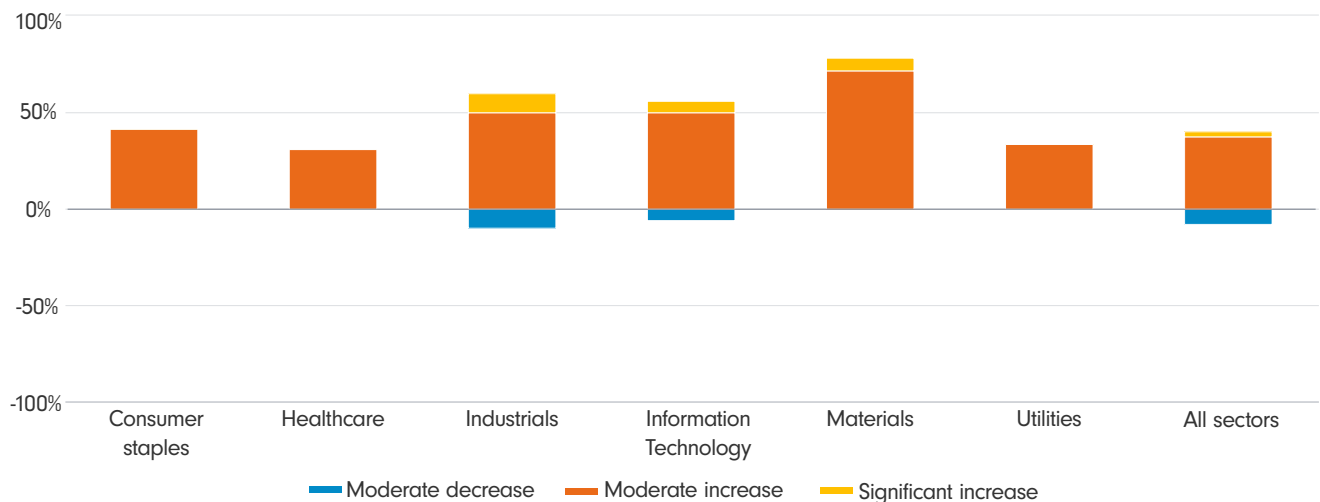


Chart shows percentage of analyst responses to the question: 'How, if at all, do you expect inflationary pressures within your companies' cost bases to change over the next 12 months?' Excludes analysts who say pressures would be unchanged. Source: Fidelity International Analyst Survey, March 2026

Confidence

All that said, corporate confidence among companies does remain high: they are benefitting from the AI capital spend and rising stock markets. Returns on capital and dividend payouts to investors are widely expected to improve. More than half of all the analysts surveyed expect dividends to rise; in IT that figure is 63 per cent.

A more complicated geopolitical situation, by hook or by crook, is delivering a messier economic outlook and, as our tech analysts discuss here, AI's contribution may be to make it easier for companies to do more with less and reduce the relative size of workforces - but at a time when the economy is already putting pressure on middle-income consumers.

None of that should detract from the central message, however: that the investment by Microsoft, Meta, and Google in AI is not just a driver of stock market valuations. Main Street continues to feel cost pressure, but that wall of capital will eventually trickle down to the builders and electricians who are constructing the new factories and data centres. When that happens, we can expect the beneficiaries to widen out with higher living standards and a better breadth of stock market returns.

Capital returns expected to improve

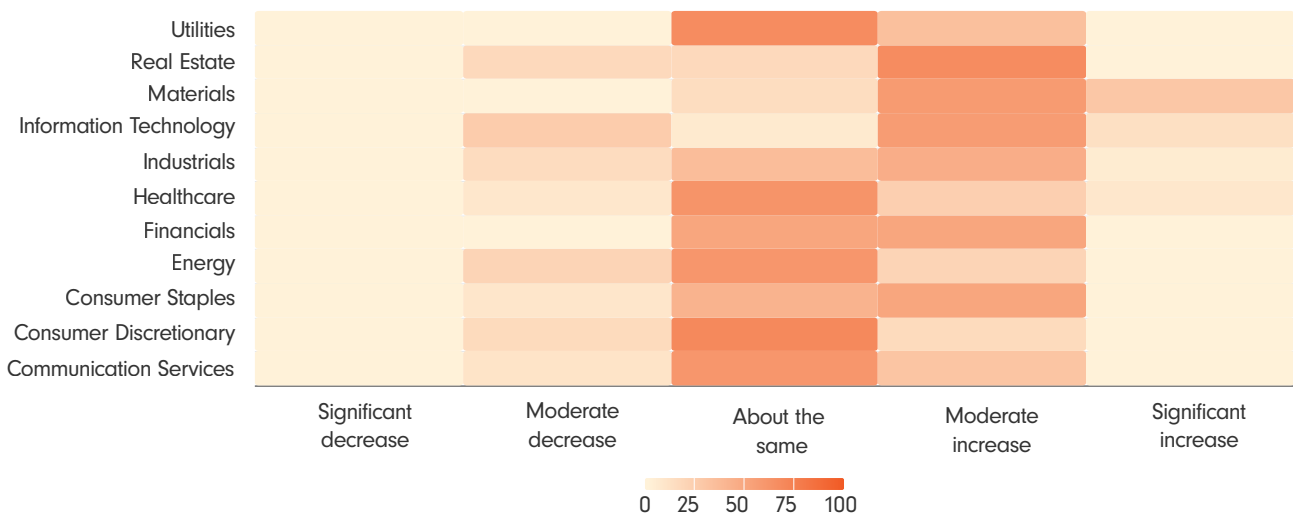


Chart illustrates responses to the question 'What is the outlook for overall returns on capital for your companies for the next 12 months?'
Source: Fidelity International, March 2026.



Tech is undervalued



Terry Raven
Director of Research, Equities



Randy Cutler
Director of Research, Fixed Income

Markets are growing increasingly worried over the prospect of an AI-led tech bubble. Fidelity International's investment analysts are less so.

Key takeaways

- The software sell-off has gone too far.
- AI is not displacing human labour to any great extent at present.
- The application of AI by companies is broad and multifaceted.

Fidelity International analysts are still bullish on AI. Indeed, none of our analysts who focus on tech companies (information technology) believe their sector is overvalued – the only sector for which this is the case. They also report higher levels of confidence among their management teams than any other sector.

There is of course plenty of debate within Fidelity about the durability of the current boom and the longer-term sustainability of earnings. Some of our shorting analysts, for instance, spend their days looking for tech names for which the hype has gone too far.

But, taken as a whole, the findings of this year's Analyst Survey would appear to mitigate rising concerns that valuations in the tech sector are stretched beyond repair.

Hardware justifies the hype

Terence Tsai, Fidelity's tech sector leader and portfolio manager, argues that high levels of investment will benefit companies across the AI value chain. "With hyperscalers raising capex numbers higher than market expectations, that cascades into the capital beneficiaries – the suppliers of the AI infrastructure build and also their suppliers," he says.

In Tsai's view, his companies will "strongly outperform" the market this year: "humans and markets tend to think linearly and have trouble grappling with exponential growth".

Jonathan Tseng and Austin Kelly focus on North American semiconductors – businesses usually considered among the biggest beneficiaries of the capex spend Tsai references.

They are similarly bullish. "Although valuations are towards the upper end," says Tseng, "I suspect ongoing earnings upgrades can drag these names upwards in spite of an elevated multiple starting point."

For Kelly, this points to a wider market transformation. "The emergence of AI as a demand driver in semiconductors has caused and will continue to cause supply/demand tightness across many areas

of technology hardware. We have already seen the impact in memory, but we will soon see it in other areas too."

The software sell-off may have gone too far

The transformational promise of AI means the market is now discounting other parts of the tech sector

Portfolio story: How shorting analysts help build conviction



Dmitry Solomakhin
Portfolio Manager

Markets are bifurcated. In some areas - autos, chemicals, non-AI industrials - prices reflect underlying fundamentals and a tough economic backdrop. Elsewhere, valuations exist in a fantasy world, fuelled by speculative flows into stocks with no fundamental underpinning. The AI theme is the obvious headline, but the excess extends to areas such as quantum computing, crypto, and nuclear.

Fundamental grounding

My approach is premised on the belief that over the long term valuations converge to underlying fundamentals. As such, my process is grounded in bottom-up analysis. I draw on Fidelity's extensive in-house research and privileged corporate access to help inform my views on each company in the portfolio - both those which I am long, and those which I am short.

My long book focuses on out-of-favour companies that the market considers broken or mismanaged, but where I see turnaround potential.

As a contrarian, my positioning may be at odds to the recommendations of the analysts - either my view of the future is different, or the time horizon I am looking to is longer. But their rigorous analysis of companies is essential.

Where I'm short: speculative hype

Today my short book has a strong thematic focus - companies with lofty valuations which often lack credible business models and the ability to generate revenues. These names have rallied as speculative enthusiasm has continued to build. Fundamentals and valuations have become completely disconnected.

I work with dedicated shorting analysts who provide deep technical expertise to expose what the market has overlooked. One such company develops small modular reactors using highly enriched uranium. That technology was developed in the 1960s and still has not proven its worth in the real world, but because it fits within thematic baskets, passive flows drive erratic stock moves.

Another position is a satellite maker that came to my attention via one of our shorting analysts. There's a lot of hype around this sector at the moment, which is driving in retail money. However, the company appears to be banking on a total addressable market that I don't think exists, plus it's relying on some miracles on its supply side just for it to earn back its cost of capital. As the lack of commercial viability plays out, the downside correction could be sharp and extreme.

Ultimately, I do not look to time market catalysts. But in recent weeks and months, the strong performance of key positions in the short book suggests that any sustained market rationalisation would prove beneficial for my strategy.

I also don't try to balance or moderate my approach. I stay true to my philosophy, regardless of what the market is doing. When conditions are normal, the fund looks fairly conventional: a collection of stock-by-stock idiosyncratic stories. When bubbles form, over time the portfolio becomes more extreme in the opposite direction. This is the environment we are in today.

previously considered among the most predictable names in investors' portfolios – namely, software. The 'SaaSocalypse' began in late 2025 and has intensified through 2026, as the market believes 'Software As A Service' applications could be replaced by AI altogether.

But many of our analysts think this sell-off has gone too far. Clare Coleman says the market is wrong to deem all her Australian software and internet companies 'AI losers'. Instead, after the indiscriminate selling, she's finding value in those "with strong network effects, proprietary data, and/or regulatory and compliance moats".

Jack Graham, who focuses on US software and IT services names, believes we may be at the start of a cyclical shift away from growth towards value following higher inflationary expectations this year, supporting some of the less favoured names he follows.

That dynamic, in his eyes, will be exacerbated by rising commodity prices stemming from geopolitical tensions and - for now at least - the conflict in Iran.

Meanwhile, many of our analysts who focus on software think the market is overstating its redundancy risk in a new AI-dominated world.

Siddharth Misra, who focuses on India IT services companies, thinks there remain valuable, fundamental use-cases for IT services names.

Misra cites the role of these companies as "bridging the gap between off-the-shelf agents and driving value in a complex enterprise" by:

- Managing and unblocking the data layer in enterprises
- Orchestrating and integrating multiple agents within the enterprise
- Creating new applications that will emerge because of AI
- And most importantly, having the right guardrails and governance in place

Noriyuki Takizawa reports a similar dynamic among his Japanese companies, explaining that "internal development capacity, governance structures, and security constraints [mean] the assumption that generative AI will quickly displace external IT services demand in Japan may be overstated".

But both Misra and Takizawa do not think these realities will necessarily reflect in valuations immediately. In fact, Takizawa expects his companies to underperform other Japanese companies this year. "It may take time (or prove impossible in some cases) for some IT services companies to demonstrate they are not meaningfully impacted by AI disruption," he says.

Demand justifies the supply

That's the supply, what about demand? Our analysts following companies from sectors beyond tech report widespread usage of AI.

Almost 90 per cent say that at least some of their companies are seeing productivity benefits, though 62 per cent overall say this is only relevant for a minority of their companies.

More analysts report productivity benefits from AI this year...

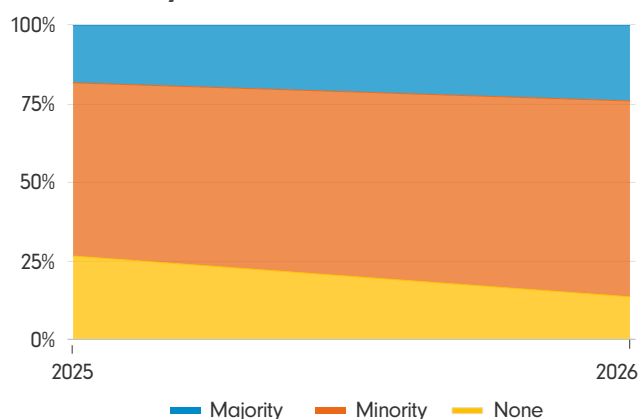


Chart shows percentage of analyst responses in 2025 and 2026 to the question: 'What share of your companies are seeing productivity benefits from AI?'
Source: Fidelity International, March 2026.

There are also signs that AI is beginning to boost companies' bottom lines, even if the majority are still yet to see that impact.

...and more are seeing a positive impact on profit levels too

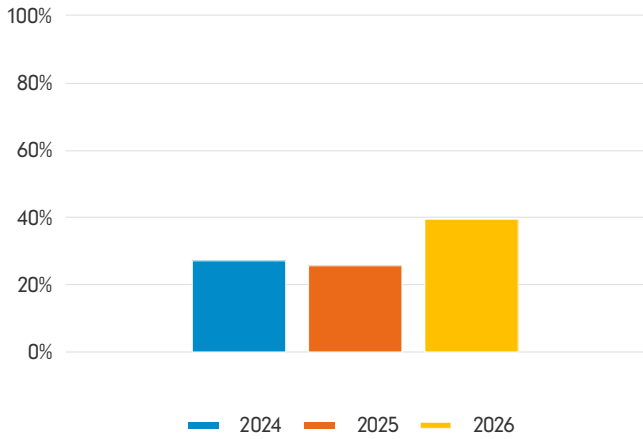


Chart shows percentage of analyst responses to the question 'What impact, if any, do you expect AI will have on your companies' profitability over the next 12 months?' Source: Fidelity International, March 2026.

Of those analysts who say they have seen their companies benefitting materially from AI, its application is broad, as the chart shows:

Companies are using AI across the board



Chart illustrates prevalence of analysts' responses to the question 'Which areas of your companies are seeing material benefits from the use of AI?' Source: Fidelity International, March 2026.

Efficiency gains are seen to vary sector by sector, company by company. Many of our financials analysts report on AI's ability to assess customers'

creditworthiness more efficiently and speed up anti-money laundering checks, for instance. Some consumer analysts see AI enhancing ad targeting. One industrials analyst notes the "optimisation of road trucking routes" improving pricing algorithms for his European freight forwarders. Another speaks of AI analysing geological data to help his energy companies make new discoveries.

There are also signs that AI is beginning to boost companies' bottom lines, even if the majority are still yet to see that impact

Same headcount, more output

Then there is the impact on workforces. Seven in 10 report their companies either reducing workforce sizes as a result of AI, or (more encouragingly) doing more with the same headcount.

Workers are more productive

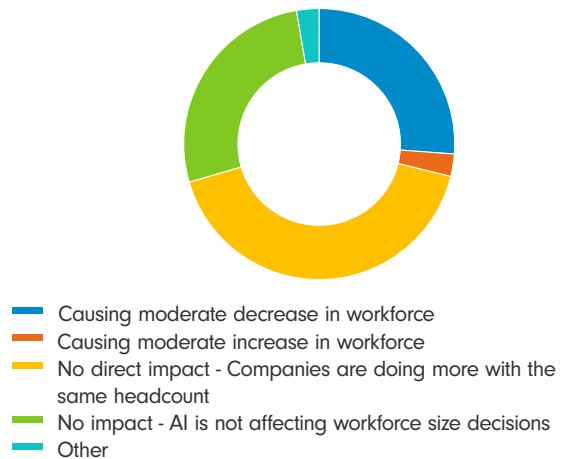


Chart shows percentage of analyst responses to the question 'Is AI affecting decisions around workforce sizes at your companies?' Source: Fidelity International, March 2026.

Some are reporting significant layoffs. Sukhy Kaur says one major bank she analyses has saved 100,000 hours per week across development teams.

But the reports of increased productivity with the same number of employees are more common, with some providing examples of companies upskilling workforces or redeploying cost savings elsewhere.

A few analysts see humans spending more time interacting with clients; others think people will need to remain in order to operate AI. "Work might materially change," says Canadian industrials analyst Robert Reynolds, "as they learn how to manage AI agents." Michael Gaynor, a fixed income consumer analyst, speaks of AI streamlining existing processes like inventory management. "All of these processes still require human input," he

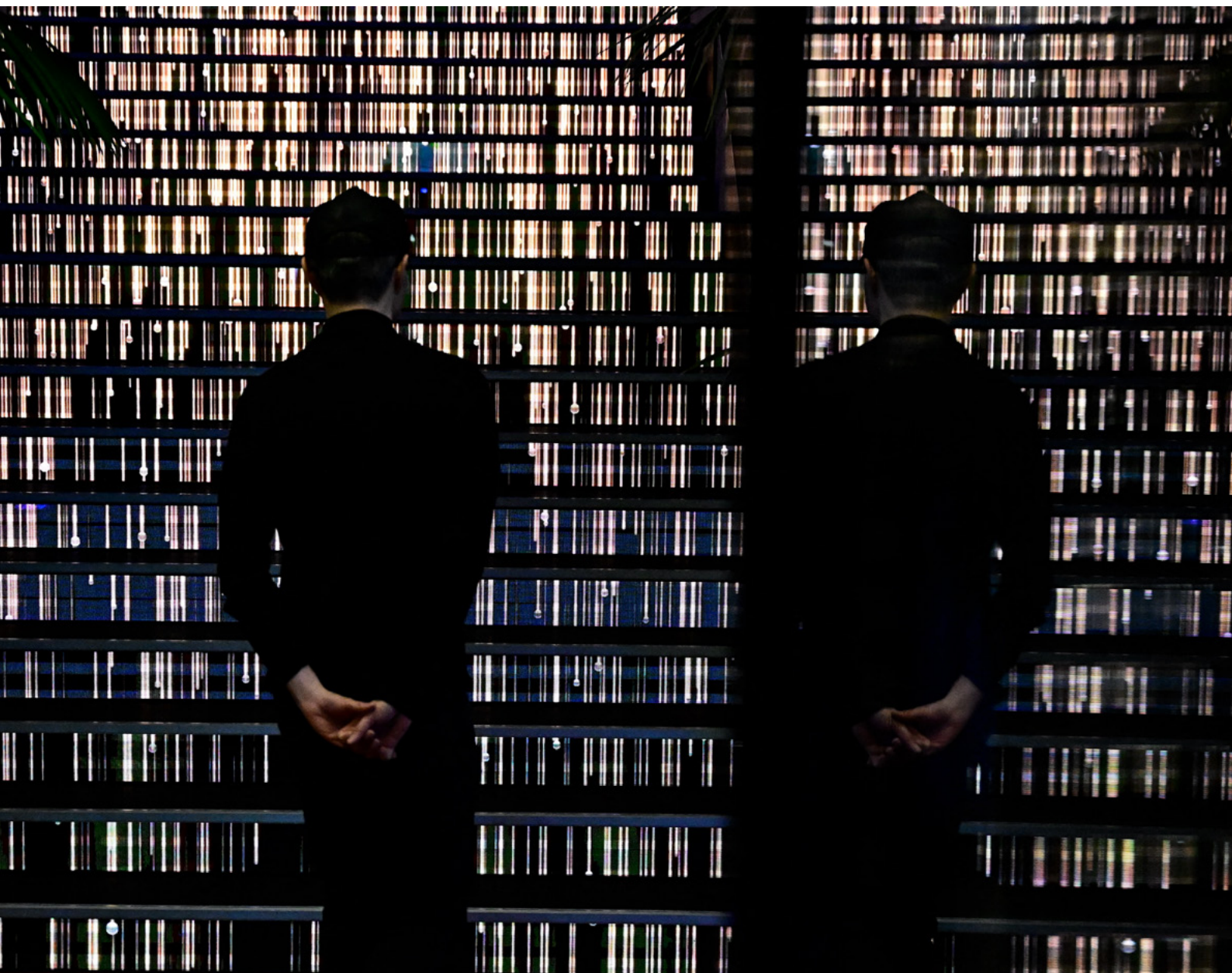
explains. "But the use of AI tools will make these efforts more targeted and efficient."

Don't forget the upside

AI transcends all other market themes in recent years in terms of the scale of investment. Naturally, that has caused jitters. But our analysts who spend their days on the ground, tracking precisely where that spending goes, are broadly sanguine.

"The market goes around asking where are the revenues being produced by AI," says semis analyst Jonathan Tseng, "while ignoring the fact that the biggest spenders on AI have added over USD \$200bn of aggregate revenues in the last three years."

"Sometimes the answer is hidden in plain sight."



Emerging markets: Where diverse stories build resilience



Monica Li
Director of Research, Equities



Punam Sharma
Head of Equity Research, Europe

Almost a year after the ‘Liberation Day’ tariff rollout, the conflict in the Middle East has delivered a fresh shock to economies. While investors may be concerned about its impact on emerging markets, there are companies and sectors in these regions where long-term fundamentals continue to look promising.

Key takeaways

- Geopolitical shocks are driving volatility across emerging markets, with higher oil prices, freight disruption, and shifting trade policies weighing on corporate profitability.
- Analysts still see pockets of strength, however, from China’s tech and biopharma industries to India’s steel sector, or Korean companies benefitting from governance reforms.
- Improved fiscal discipline is creating advantageous conditions in specific markets.

We publish this year’s Analyst Survey at an especially volatile moment for emerging markets. Previously prevailing themes, such as a weaker outlook for the US dollar or the potential easing of monetary policy, have been brought into question in the wake of the conflict in the Middle East. In their place are higher oil prices, inflation worries, and renewed concerns about the logistics of global trade.

Geopolitical shocks

Over half of our China analysts (54 per cent) say geopolitics or monetary factors will have a moderately or significantly negative impact on corporate profitability over the next 12 months. That compares

with 43 per cent in EMEA/Latin America, 35 per cent in Asia ex China/ex Japan, and the global average of 38 per cent.

“Even if the conflict ends tomorrow, freight rates will not return to normal immediately,” says Amara Xia, an equities analyst covering China marine transportation. “Port congestion, the time needed to reposition vessels, and the surge in demand to rebuild depleted inventories will all keep rates elevated for a while before they eventually normalise.”

James Trafford, an EM portfolio manager and energy analyst, adds: “If there is a fast resolution to the conflict then oil should be able to move quickly

again, so long as there has not been any material damage to the upstream producing fields. The high-quality nature of the Middle East reservoirs means that those which have been closed can restart promptly.”

“However, if disruption lasts beyond the end of March, or there are fresh attacks on infrastructure, then it will likely cause more substantial drawdowns of inventories keeping the market tighter for longer.”

Geopolitical shocks can cause acute market volatility while simultaneously casting persistent shadows. Following last year’s tariff shocks, for example, nearly two-thirds of Fidelity analysts in this year’s survey say they continue to factor the impact of shifting trade policies into their fundamental analysis.

Portfolio story: How rigorous credit research unlocks alpha



James Durance
Portfolio Manager

The investment universe of a global fixed income fund manager like myself is huge. Occasionally, I’ll delve into emerging markets if they meet my criteria. These markets tend to be more volatile and so I need to be confident that my investments there are built on firm foundations. Fortunately, I have a small band of credit analysts I work very closely with, who conduct rigorous analysis into all kinds of potential credit ideas around the world.

One of those analysts, Sahil Kapoor, recommended a Turkish telecom name early last year, which has contributed handsomely to my fund ever since.

Several things that Sahil identified made the bonds attractive to me. First was that the company had a strong track record of execution over a number of years, against a backdrop of hyperinflation and significant FX moves in Turkey. Part of the reason for its resilience was a conservative approach to its balance sheet, plus a discipline for keeping leverage low and dividends stable at 50 per cent of income.

The company also kept around 80 per cent of cash in hard currencies, enough to cover interest and debt maturity for the next three to four years. All these qualities are attractive when looking for credits in the volatile economies characteristic of some emerging markets.

Risk aware

What cemented this recommendation in my mind was Sahil’s reports on the company’s management team. He met with them in London last January, and they showed the sorts of traits that I look for when investing in EMs. Most important was their focus on risk management, which in my mind supported the positive signs around their balance sheet that Sahil had identified.

The work of credit analysts like Sahil is invaluable for me. I know that he’s also able to draw on other research that Fidelity is producing, whether that’s from equity analysts looking at the same companies, or sovereign analysts who can provide more context on an issuing government.

In this instance, Sahil and I had also spoken with one of our emerging market sovereign analysts, Andressa Tezine, and a fellow fixed income fund manager, Philip Fielding, who invests exclusively in emerging markets. At this time they were positive on Turkey as a sovereign, after recovering from something close to a balance-of-payments crisis. Philip’s view is that investing in corporate credit is often the best way of capitalising on positive sovereign sentiment. His take was that this company was managed like a European investment grade telecom but carried the risk premium of an emerging market corporate. Having this sort of background on the sovereign naturally helped build my conviction in the corporate.

I’m always willing to introduce risk to my portfolio if I think it is manageable and can provide enough upside. It’s impossible to get that right all the time, but I have a lot of faith in the depth of research my analysts provide.

Tariffs still matter

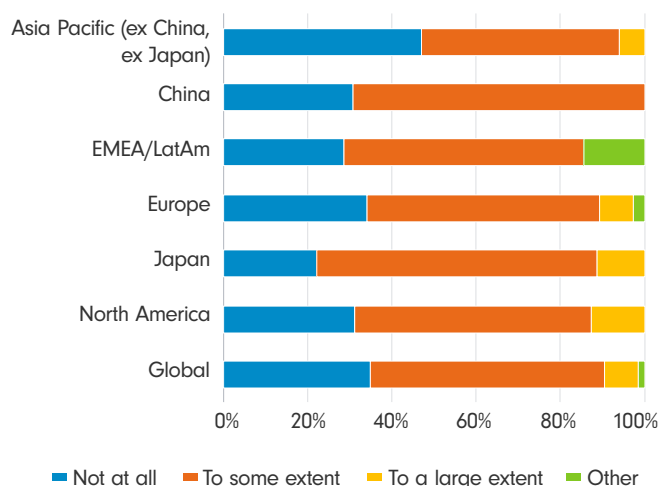


Chart shows percentage of analyst responses to the question 'To what extent are you still factoring continued impact from shifting trade policy into your fundamental analysis?'
Source: Fidelity International, March 2026.

Yet despite these headwinds, our survey finds that beyond the headlines there remains a diverse set of positive investment stories.

"Within Asia's oil refining sector, the most likely beneficiaries of higher oil prices are non-government-owned, independent upstream producers," says Eliza Tay, an equities analyst covering the sector.

She also points to a split emerging in downstream refining and petrochemicals, where companies with reliable raw material supply have the capacity to maintain stronger margins and raise operating rates.

China's tech prowess

Chinese leaders have invested heavily in high-tech industries to boost the country's self-reliance and resilience to volatile geopolitics. Those efforts have supported China's rise in electric vehicles, artificial intelligence, biotech, and robotics. The economy is increasingly driven by innovation and policy that supports technology and science.

Despite US export controls on cutting-edge technology, "a growing number of chips used in China will be made locally," says Allen Yang, an equities

analyst covering China's chipmaking industry. "Local semiconductor equipment makers will continue to benefit from domestic capacity expansion and supply chain localisation for years to come."

China's pharmaceutical industry is rapidly shifting from being a 'fast follower' of innovative medicines to a challenger of US dominance in R&D, capturing a growing share of global drug licensing deals, according to Lizheng Zhu, an equities analyst covering China biotech.

Chinese leaders have invested heavily in high-tech industries to boost the country's self-reliance and resilience to volatile geopolitics. Those efforts have supported China's rise in electric vehicles, artificial intelligence, biotech, and robotics

"Chinese biopharma companies' drug development is two or three times faster than US or EU counterparts, but at only half or a third of their costs," says Zhu. "We will see more and more 'first-to-market' drugs coming from China in the next few years."

China consumer

Though China's technological development has stormed forward, the country still faces a series of economic challenges – a troubled housing sector, persistent deflation risks, and sluggish consumer demand. Signs of recovery are emerging among consumers, with strong demand for both premium and value-for-money products, according to Alex Dong, an equities analyst covering China consumer staples.

Portfolio story: A sweet bargain in China's consumer sector



Tina Tian
Portfolio Manager

It's not an easy time to invest in China's consumer sector. Consumption in the country has been gloomy over the past few years. A property slump that began some five years ago still weighs on confidence. Households are cautious on spending.

But the disappointing macro numbers doesn't mean the sector is uninvestable. A K-shape pattern is emerging among consumers who appear happy to open their wallets for either value-for-money goods or premium products. I was confident that there would be resilient companies bucking the broader consumption gloom and adapting to the new pattern. History told me that this was usually the case. Two discount store giants, Germany's Aldi and Japan's Don Quijote, both expanded quickly when the two countries grappled with an economic slowdown. After sifting through numerous Chinese companies, analyst Alex Dong found a good candidate for my portfolio, and it came in the form of a snack store chain.

By cutting out middlemen and sourcing directly from manufacturers, the company is able to offer snacks such as candied fruits, melon seeds, and roasted nuts at discount. It also sells some products by weight or in small bags so that cost-conscious customers can buy more kinds of snacks in one purchase. As a result, the company looked ready to thrive in smaller towns or counties where there's a low penetration of convenience store giants like Lawson and 7-Eleven and where young customers are moving away from traditional mom-and-pop shops.

Retail therapy

A thorough understanding of the company demanded first-hand information. Alex and I did extensive on-the-ground research, visiting the franchised stores in 10 towns across China. It was obvious that most customers were young, aged 15 to 40 years old, who prioritise 'happy consumption' - spending on affordable items that provide immediate emotional gratification. The customers filled their shopping baskets with a diverse selection of snacks, from instant noodles to konjac chips. The stores were crowded, sometimes with long lines at checkouts. The clerks greeted customers, assisted with item locations, and processed transactions efficiently. We also talked to the franchisees who were optimistic that the business model would prosper for more than a decade while the payback period should be only two to three years. And of course, we bought some of the products to taste the quality ourselves.

In addition to multiple meetings with the company's management team, we talked to competitors and visited their shops to gain a more rounded view of the sector.

The field trips reinforced our confidence in the potential earnings growth of the company and its new store openings.

All the efforts paid off. The stock's performance exceeded my expectation. The success encouraged me to look for more Chinese consumer companies catering to the changing trends.

The increasing competition in China's grocery retail requires detailed attention. Alex and I will be watching closely how this company continues to adapt to evolving consumer patterns.

It may take some time before we see a real rebound in China's consumption. But there are still plenty of unique retail strategies that can help build and expand market share. The snack store operator isn't the only hidden gem in this vast market.

"The Chinese consumer market is evolving," says Dong. "Despite the muted demand in the middle segment, we are seeing intriguing opportunities in the top and bottom end."

Of China analysts, 31 per cent see their sector as 'undervalued', the highest across the world and compared with 24 per cent in Asia ex Japan/ex China, and 29 per cent in EMEA/Latin America.

But their emerging market peers are more confident about stock performance in the coming 12 months: 57 per cent of EMEA/Latin America analysts and 50 per cent of Asia ex Japan/ex China analysts say their stocks will 'significantly' or 'moderately' outperform the regional benchmark, higher than the 46 per cent for China.

Paying dividends

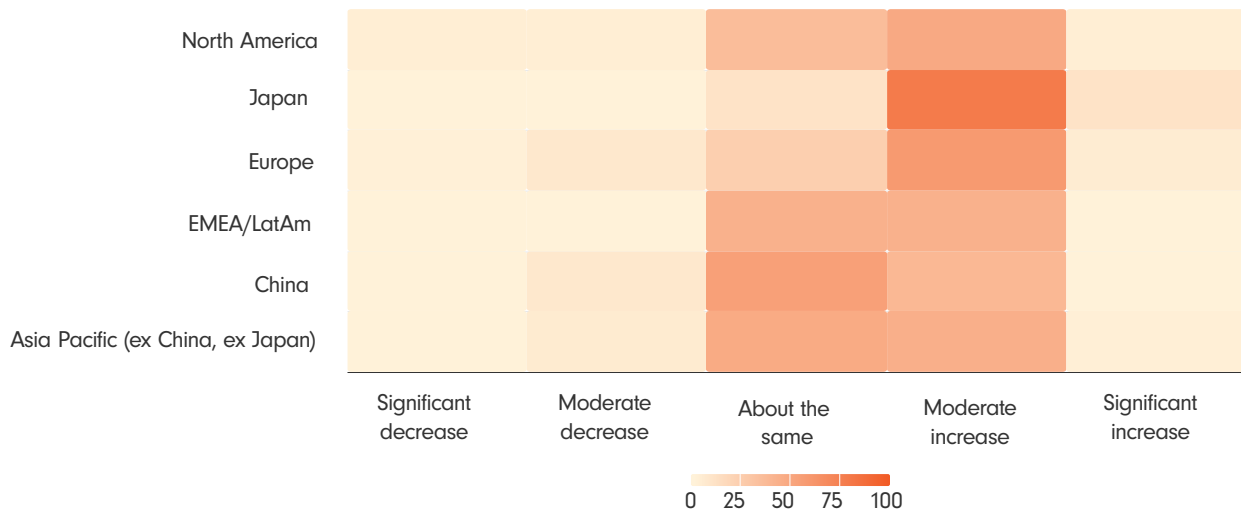


Chart illustrates responses to the question 'How, if at all, do you expect your companies' dividend payments to investors (in absolute terms) to change over the next 12 months?'
Source: Fidelity International Analyst Survey, March 2026.

Emerging improvement

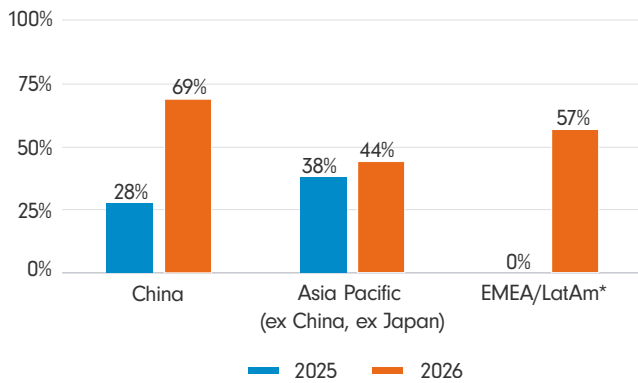


Chart shows percentage of analyst responses that say 'Moderately more confident' or 'Significantly more confident' to the question 'How would you describe the confidence level of your companies' management teams to invest in their businesses over the next 12 months, compared to the previous 12 months?'
Source: Fidelity International Analyst Survey, March 2026.

Emerging outperformance

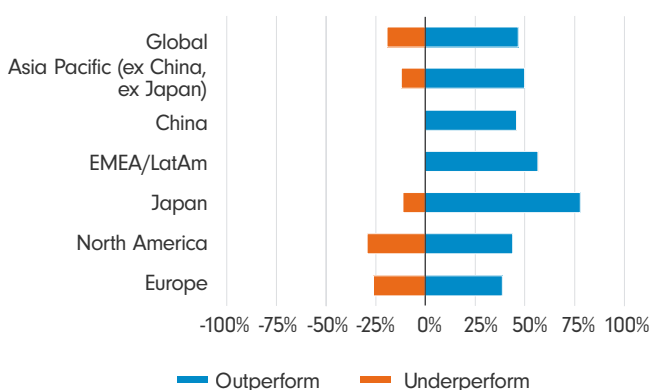


Chart shows percentage of analyst responses to the question 'What are your current views regarding your sector's performance outlook relative to its regional market for 2026?'
Source: Fidelity International Analyst Survey, March 2026.

Korea's corporate reforms

One of the big stock market winners last year was Seoul. For years, Korean companies have been criticised for hoarding cash on balance sheets and refusing to share profits with shareholders. But, following in the footsteps of Japan, the authorities have confronted the issue with structural reforms. The 'Value-Up' programme, which aims to reduce the so-called 'Korea discount', has gained steam with a new president pushing for shareholder-friendly policies.

"Given the ongoing reform, I expect Korean financials to deliver better capital allocation and improving corporate governance versus their history," says Charvi Pandey, an equities analyst covering Asian financials. The near term, however, looks more challenging.

"Korea is a net importer of oil," Pandey adds. "An extended crisis in the Middle East could hit its economic growth. We will continue to monitor the impact on Korean financials, especially those which have direct lending or equity exposure to the region."

Across Asia Pacific, 47 per cent of Asia ex Japan/ex China analysts expect dividend payments to increase over the coming 12 months, higher than the 39 per cent in China and 43 per cent in EMEA/Latin America.

Indian steel

A couple of other opportunities stand out in the survey. India's steel industry has expanded rapidly over the past decade, benefitting from accelerated urbanisation and industrial growth. Deepak Kumar, an equities analyst covering Indian metals, says the sector will outperform on the back of a strong earnings outlook in the coming year after the country extended a tariff on steel imports for three years.

"With the customs duty and safeguard duty, India's steelmakers now have as much as 20 per cent price advantage over regional steel players," says Kumar. "The sector has seen a valuation rerating on increased earnings visibility. I expect the rerating to sustain."

Because iron ore is domestically available in India, the only direct impact on the sector from disruptions in the Middle East is higher freight costs for imported coking coal, he says.

Greek banks is another interesting sector.

"Greece has been de-leveraging for some time and the ratio of private sector credit to GDP is low relative to European peers," says Tim Eklund, an equities analyst who covers emerging market banks. The economy has been strengthening and loan growth picking up, he adds, pointing to the country's return to investment grade just over two years ago, for the first time since the eurozone debt crisis.

Higher energy prices are, however, a concern.

"Anything impacting the flow of tourism to Greece would have a negative impact on the country's economy," says Eklund.

No common outcome

The duration of the Middle East conflict arguably matters more for emerging markets than others. The longer it goes on, the more it could exacerbate inflationary pressures and negatively impact energy importers.

Some industries and geographies will prove more resilient than others, and emerging markets should not be viewed as a single, uniform bloc. They comprise diverse economies with distinct growth drivers, risk profiles, opportunity sets, monetary and fiscal considerations. Careful discrimination, patience, and a measured approach will be critical.



What kung fu robots tell us about China's humanoid revolution



Reggie Pan
Investment Analyst

A kung fu show demonstrated dramatic progress in China's humanoid robotics over the past year. But a bigger challenge lies ahead: how to make these humanlike robots useful in real-life environments.

Key takeaways

- China wants to build on its tech prowess to make robots that can thrive in the real world.
- The challenge is getting from teleoperation to full automation.
- We're around two years away from some meaningful breakthroughs.

Aside from fireworks and dumplings, watching the televised annual Spring Festival Gala, or Chunwan, has been a holiday tradition for every Chinese family on the eve of the new year.

For decades, the four-hour show was a jumble of songs, dance routines, and skits – all performed by human beings. But starting from last year, humanoid robots took centre stage, giving demonstrations of what Chinese robotics can do. In 2025, dancing robots twirling handkerchiefs wowed viewers. This year, we saw something more stunning.

Dozens of humanoid robots practiced martial arts, mimicking action star Jackie Chan's 'Drunken Boxing' style – made famous by his iconic 1978 movie 'Drunken Master' – which requires incredible balance, flexibility, and strength. They also performed nunchaku, aerial flips, and executed three consecutive single leg back-flips. The performance, well synchronised to music and the human performers, was far more complex than the handkerchief dancing the year before. It was not just a kung fu show, but a message to the world about how fast China's humanoid robotics is evolving.

Manufacturing expertise and government support have given China the edge in developing robotics. China's robust hardware supply chain, much of it built up through the electric vehicle sector's R&D on everything from sensors to batteries, has helped local companies to iterate faster than western competitors. According to the 15th five-year plan, which sets strategic objectives and policies for 2026-30, Beijing is prioritising several emerging technologies, including advanced chips, robotics, batteries, and the brain-computer interface.

Despite the marvellous choreographed demonstrations, a bigger challenge lies ahead: how to make these humanlike robots useful in real-life environments. That is no mean feat. The machines need to figure out on their own how to get a job done and how to work with other robots, without laborious programming for each situation. Brain function hurdles, co-ordination between brain and hardware, and a lack of data for 3D real-world movement, mean widespread commercial deployment still faces technical and cost challenges. It's one thing for a desktop-bound large language model to make a mistake, but a very different thing for a robot that's physically moving among humans to do so.

Mixing with the robots

I recently visited more than a dozen Chinese robotic original equipment makers in mainland China. Some are developing versatile robots aimed at

manufacturing, logistics, hospitality, and household applications. With big leaps in hardware technology, the robot makers are already good at balance, motion control, and dynamic locomotion. Their focus is now on refining the foundation model, which is a large-scale artificial intelligence system trained on massive, diverse datasets that will act as a 'brain' for robots, allowing them to plan movements, co-ordinate with each other, and adapt to new situations.

Most players still rely heavily on teleoperation and videos to gather real-world data and refine foundation models. This is both time consuming and costly, but recent progress related to the generation of synthetic data might become increasingly useful in training the models, accelerating the whole refining process.

With continued improvement in robotic foundation models, I believe humanoid robots can start becoming productive in factories or warehouses, performing repetitive tasks such as box carrying or sorting, within a couple of years.

The number of robot developers has increased rapidly in China, which could intensify competition within the sector. But competition will drive the startups to innovate, iterate faster, and improve their products to stand out.

I look forward to the robot show at the next Spring Festival Gala.





The European car bubble few investors are talking about



Andras Karman
Credit Analyst

Legacy auto makers in Europe currently have no choice but to keep investing in more electric vehicle sales, while the majority of consumers remain hesitant and market positions are threatened by Chinese new entrants.

Key takeaways

- If current trends continue, a crash in Europe looks inevitable.
- Consumers still worry about things like pricing, driving range, and charging infrastructure.
- This story has already played out in the US where car makers have taken big write-downs.

I think the wider investor community underestimates the extraordinary electric vehicle bubble in Europe that just keeps expanding. We've already seen the significant costs of backtracking away from EVs in the US, affecting giants like Ford and General Motors, and I'm confident it will happen in Europe too, but at a massively higher cost.

My view is not consensus – many of my colleagues even within Fidelity will disagree with me – but I don't see how a crash doesn't eventually happen if current trends continue.

The problem stems from the fact that Europe keeps investing heavily in EVs, largely as a result of European Union directives on emission standards, to a degree that far exceeds the demand pickup as originally envisaged. Battery electric vehicle registrations should sit at around 25 per cent within the overall mix by now, yet they remain stuck between 15 and 20 per cent.

Consumers are sceptical for the same reasons as ever, over issues like EV prices, range anxiety, charging infrastructure, and so on.

And while the EU has recently eased the 2035 targets for tailpipe CO2 emissions reductions, the new 90 per cent target – down from 100 per cent – will do little to ease the burden on producers. There was plenty more that could have been done that wasn't: encouraging alternative drivetrain technologies (like running on synthetic fuels) or making efforts to fend off increasing competition from Chinese new entrants.

Why am I particularly worried about the current direction of travel? The US provides some clues here. Many large US manufacturers took multi-billion-dollar write-downs and one-off cash cancellation costs on their investments after the reversal of emission regulations by the Trump administration. Bear in mind that EV roll-out in the US had been far lower proportionately than in Europe, meaning those companies had a lower height from which to fall. The potential costs of even a partial backtrack for European companies gets more severe every year they're forced to increase their EV offerings.

At the same time, I still think it would be in the industry's interest to correct course and face reality now, while legacy makers remain financially healthy and hold relatively strong market positions. There would be some immediate and scary headlines, but it would allow those companies room to optimise their model line-up and improve profitability. EVs would not disappear of course, but the balance would be more representative of actual demand.

One alternative scenario is a sustained change in consumer preferences. That could come from the introduction of more affordable EV models, or further technological improvements and infrastructure build-out. My hesitancy is that rival Chinese EV manufacturers have a much better chance of succeeding and gaining market share here, given their lower cost base helped by their vertical integration and know-how.

Still, other views are available. I'm just yet to be convinced.



The geopolitics of commodities on - and below - the ground



Sam Heithersay
Investment Analyst

China remains the controlling force of the supply chain for rare earth magnets - essential to a range of industries. Conversations across the industry suggest the market still underestimates how difficult scaling meaningful production outside of China will be.

Key takeaways

- Efforts to build rare earth magnet supply chains outside China face deeper structural barriers than many investors recognise.
- Prices have surged, and the hope is that supply will rise to meet strong demand and put downward pressure on prices.
- That's easier said than done. The fundamentals suggest elevated pricing for the foreseeable future.

Rare earth magnets play a critical role in renewables, aerospace and defence manufacturing but the supply chain is tightly controlled by China. It's become increasingly clear to me that the wider market still underestimates this dependency and the inherent challenges of scaling ex-China rare earth magnet production.

How did I come to this conclusion?

There's a natural assumption in commodity markets that high prices cure high prices because high prices

incentivise new supply. But the concentration of the rare earth supply chain and the geostrategic nature of global demand complicates this supply response. Rare earth prices have doubled in the last year after China imposed export restrictions in retaliation to US tariffs. The US responded by taking a direct equity stake in a rare earth magnet producer and underwriting investment with a price floor. The market assumes that in the long-term, high prices, supported by a price floor, will incentivise new Western supply. There's also the possibility that in the short term China

eases restrictions on its rare earth exports, as it has in the past, flooding the market with excess supply. Both scenarios would bring prices down.

The conversations I've had with a range of the companies involved in this supply chain make me question these assumptions.

First, regulation has moved on. From January next year the United States will not allow Chinese rare earth components in the defence supply chain. That will support prices and demand for production outside of China.

Second, a number of downstream customers we talk to have told us that even if restrictions were to be eased tomorrow, they will still want more supply outside China. Recent experience has highlighted the vulnerabilities in their supply chains and they do not feel comfortable with this concentration of supply anymore.

Third, this is less about rare earth mining and more about rare earth refining, for which the barriers to entry are high because successful refining at scale requires a supportive industrial complex. China has invested heavily in its rare earth processing and refining complex since the 1980s. Any new Western supply won't be able to draw on the components, reagents, and expertise that China has consolidated over the years.

This may slow the pace of the expansion of the rare earth supply chain beyond China, despite the commercial and geopolitical imperative, and potentially keep prices higher for longer than consensus is currently expecting or pricing into rare earth share prices.



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Cover, page 2 and 3: A Collection of Multi Colored Semiconductor Chips.

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Page 4: The New York Stock Exchange is seen during morning trading

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Page 9: Switching on the new AI supercomputer at the Vilhelm Lauritzen Terminal in Kastrup, Denmark.

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Page 13: Opening of a Google AI-Centre in Berlin.

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Page 14: Employees work on the automated production line Zhejiang Province of China.

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Page 20: A girl plays with a robot at the Shanghai World Expo and Convention Center in Shanghai, China.

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Page 21: A woman talks to a remote-controlled bipedal humanoid robot in Shanghai, China.

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Page 22: Electric concept car on display at the AutoSalon press preview in Brussels, Belgium.

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Page 23: Electric vehicle stands in the factory's final inspection area in Brandenburg, Grünheide.

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Page 24: Aerial view of snow on rock formations located in Xinjiang Uygur Autonomous Region of China.

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Page 25: Labelled rare earth elements in padded case.

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