

Portfolio manager: Aditya Khowala

Approach and Style

Performance over quarter in USD (%)

Fund -0.9

Market index 3.7

S&P 500 (N)

Aditya Khowala believes that markets are driven by long-term growth cycles/themes and looks for reasonably priced companies that will benefit from these trends. Winners are defined by their pricing power, the duration of growth drivers and their ability to grow cash flow. The portfolio is managed using an "active strategy". This allows Aditya to use short positions and also to increase the amount invested in the long portfolio when he finds attractive investment opportunities. He can also use options to enhance return and manage risk. When shorting stocks, Aditya looks for negative factors such as stretched valuations for growth companies or structural weaknesses in companies' balance sheets or business models. The typical range for net market exposure will be around 90-110% of fund TNA under normal market conditions.

Market index is for comparative purposes only.

These figures relate to the fund's past performance, which is not a reliable indicator of future results. The value of investments and any income from them may go down as well as up and an investor may not get back the amount invested. Source of fund performance is Fidelity. Basis: nav-nav with income reinvested, in USD, net of fees. Other share classes may be available. Please refer to the prospectus for more details.

Market Environment

US equities advanced for a fifth consecutive quarter as positive economic data and the surprise victory of Donald Trump in the US presidential elections supported investor sentiment. The Federal Open Market Committee (FOMC) raised its interest rates range by a quarter percentage point to 0.50-0.75% during the period. This was the second increase in nearly a decade after the first one in December 2015. The committee has indicated that it may raise rates three more times in 2017. However, the scale and pace of interest rate rises will depend on upcoming economic data. Oil prices were buoyed by the Organisation of the Petroleum Exporting Countries' (OPEC) decision to lower output for the first time since 2008. At a sector level, investors switched over to more cyclical areas of the market given improved economic growth prospects.

Fund Review

During the quarter, the A-ACC-USD class of the fund returned -0.9% in net USD terms, underperforming the S&P500 (Net Total Return) index, which rose 3.7%. In December, the same class returned -0.5%, whereas the index return was 1.9%.

Over the quarter, long and short positions detracted from relative performance. From a sector perspective, consumer staples and industrials stocks hampered performance. The underweight in financials also weighed on relative returns. However, stock selection in the information technology (IT) sector and the limited exposure to health care buoyed relative gains.

Within consumer staples, the position in brewer Anheuser-Busch InBev declined as it reported lower-than-expected quarterly sales owing to weak performance at its Brazilian operations. However, outside Brazil the business has been resilient and the investment thesis remains intact. Management's aggressive strategy to focus on growth and brand building should support earnings in the long-run.

The holding in Molson Coors Brewing disappointed after reporting lower-than-expected quarterly revenues and an abrupt resignation of its CFO. Nonetheless, it remains a key position on account of its strong cash flow generation capabilities and expectations of increase in margins.

In the materials sector, shares in gold producer Newmont Mining fell as it reported weak quarterly earnings, although the company raised its production outlook. Lower gold prices also affected the stock. The manager trimmed the holding in this company as the investment idea played out. Shares in metals streaming company Silver Wheaton declined in tandem with silver prices. The manager reduced exposure as the share is approaching closer to its target price. On a positive note, the position in fertiliser producer CF Industries Holdings advanced on expectations of increase in prices of nitrogen fertilisers on account of a potential reduction in supply.

The limited exposure to financials hurt relative returns as sentiment towards banks improved after the Fed hiked interest rates in December. As a result, not holding JPMorgan Chase and Bank of America weighed on relative returns as their share price rose.

While overall IT stocks gained, shares in Fitbit fell after providing lower-than-expected revenue guidance for the December quarter. Subsequently, the position was reduced. A short position in a graphics processor manufacturer hampered relative gains as it released strong quarterly revenues. The manager maintains this position given its unattractive valuation. In contrast, the position in Leidos Holdings advanced as it reported strong quarterly revenues and margins, and raised its full year earnings guidance. Zebra Technologies also released better-than-expected quarterly earnings.

In the industrials sector, shares in MRC Global, a distributor of pipe, valve and fitting products to the energy sector, rose. It will gain from a recovery in the US shale oil and gas industry.

The fund's net equity exposure was 95.3% at the end of the quarter, with the long book of 104 positions representing 124.9% and the short book of 59 positions representing -29.6% of the fund's TNA.

Attribution

Performance attribution is produced in the currency shown below. For funds with multiple share classes, the attribution return reflects the aggregate performance across all the share classes. It may therefore deviate from the published return for a particular share class. When using the analysis for hedged share classes, please consider that the attribution is shown before the impact of hedging.

The contributions shown in the tables are before the impact of charges. If charges are applied, their effect is captured in the "Other" category in the tables and will also be reflected in the fund return.

All investments, including derivatives, linked to a particular issuing company have been combined to form a total percentage for each issuing company.

The sector/industry and country contribution tables (where relevant) display a maximum of eleven individual sectors/industries or countries. For funds investing in more than eleven sectors/industries or countries, only top five and bottom five are listed, with the contribution from other sectors/industries or countries shown in the "Other Sectors" or "Other Countries" category.

Currency of attribution US Dollar (USD)
Three month relative return (%) -4.62

Position Contribution (%)**3 months**

	Average Relative Weight	Relative Performance Contribution		Average Relative Weight	Relative Performance Contribution
TOP CONTRIBUTORS			TOP DETRACTORS		
MRC GLOBAL INC	2.0	0.43	ANHEUSER BUSCH INBEV SA NV	2.9	-0.76
LEIDOS HLDGS INC	2.4	0.42	NEWMONT MINING CORP	1.0	-0.49
CF INDS HLDGS INC	1.7	0.41	MOLSON COORS BREWING CO	3.1	-0.48
ZEBRA TECHNOLOGIES CORP	1.3	0.27	SILVER WHEATON CORP	0.8	-0.46
DXP ENTERPRISES INC	1.2	0.26	FITBIT INC	0.5	-0.43
HI-CRUSH PARTNERS LP	1.2	0.26	JPMORGAN CHASE & CO	-1.5	-0.33
DELL TECHNOLOGIES INC	2.6	0.26	Short Position - name withheld	-0.6	-0.32
AMAZON.COM INC	-1.6	0.24	BANK OF AMERICA CORPORATION	-1.0	-0.32
METHANEX CORP	1.4	0.24	SBA COMMUNICATIONS CORP	2.6	-0.31
HARRIS CORP DEL	1.3	0.23	TREEHOUSE FOODS INC	1.4	-0.29

Positions in other funds - including ETFs (Exchange Traded Funds) - can appear in this table, but index derivatives form part of an "Index / Unclassified" category which will appear in the table(s) below when relevant. Names of any positions being shorted at the reporting date have been withheld in line with Fidelity's disclosure policy.

Sector/Industry Contribution (%)**3 months****Country Contribution (%)****3 months**

CONTRIBUTIONS TO RELATIVE RETURN

GICS Sector	Average Relative Weight	Security Selection	Sector/ Industry Selection	Total Relative Contribution
Health Care	-13.6	-0.26	1.29	1.03
Information Technology	4.4	1.18	-0.17	1.00
Materials	11.8	-0.05	0.04	-0.01
Consumer Discretionary	-3.6	-0.84	0.83	-0.01
Utilities	-3.7	-0.13	0.08	-0.04
Real Estate	-2.4	-0.12	0.02	-0.10
Telecommunication Services	0.9	-0.28	0.01	-0.27
Energy	-2.6	-0.42	-0.18	-0.60
Industrials	3.4	-0.46	-0.43	-0.89
Consumer Staples	6.6	-1.15	-0.64	-1.78
Financials	-9.3	-0.50	-1.61	-2.11
Total Primary Assets	-8.3	-3.02	-0.76	-3.78
Other*	8.3			-0.84
TOTAL	0.0			-4.62

CONTRIBUTIONS TO RELATIVE RETURN

	Average Relative Weight	Security Selection	Country Selection	Total Relative Contribution
Israel	2.2	0.13	0.00	0.13
France	-0.2	0.04	0.00	0.04
Germany	-0.5	0.04	0.00	0.04
Sweden	0.3	0.02	0.00	0.02
Denmark	0.0	0.01	0.00	0.01
China	0.0	0.00	0.00	0.00
United Kingdom	0.1	-0.16	0.00	-0.16
Canada	4.0	-0.73	0.00	-0.73
Belgium	2.9	-0.76	0.00	-0.76
United States	-17.2	-2.36	0.00	-2.36
Total Primary Assets	-8.3	-3.78	0.00	-3.78
Other*	8.3			-0.84
TOTAL	0.0			-4.62

*Other includes portfolio components not already listed such as cash, expenses and other miscellaneous items.

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