

# ASIAN SMALLER COMPANIES FUND A-USD

31 OCTOBER 2015

Portfolio manager: Nitin Bajaj

## Approach and Style

## Performance over month in USD (%)

Fund	8.8
Market index	6.7

MSCI AC APxJ SC Au Cp10%N

Nitin Bajaj aims to generate outperformance mainly through stock selection within the Asia Pacific ex Japan smaller companies universe. He prefers investing in smaller companies because they tend to be less well researched, which leads to greater valuation anomalies. His fundamental analysis involves the evaluation of various factors including, but not limited to, stock valuation, financial strength, cash flows, company's competitive advantages, business prospects and earnings potential. His style is tilted towards value and he has a two to three year investment horizon.

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 gross income reinvested, in USD, net of fees. Other share classes may be available. Please refer to the prospectus for more details.

## Market Environment

Smaller companies in Asia equities gained in October on the back of pro-growth measures introduced in China as well as in other regional economies. The prospects of further policy easing in Europe and Japan along with expectations of a delay in an interest rate hike in the US also supported sentiment. All sectors ended in positive territory. Chinese equities rose as the People's Bank of China (PBoC) reduced its key interest rates and reserve requirement ratio for banks to spur growth. The PBoC also removed the deposit rate ceiling in a major step towards full interest rate liberalisation. Additionally, policymakers discussed economic and development initiatives for the 13th Five-Year Plan at the fifth plenary session. Consumer companies, particularly Macau-based casino operators, and IT stocks led the Hong Kong market higher. Encouraging earnings from Samsung Electronics as well as from energy companies boosted the South Korean market. Indonesian and Thai stocks gained as policymakers introduced additional stimulus measures to support their economies.

## Fund Performance

The fund strongly outperformed the index in October due to positive stock selection, mainly in companies with sustainable growth strategies and high-quality management. The high-conviction holding in education services provider New Oriental Education & Technology Group reported better-than-estimated earnings. Its share price also rose in view of an optimistic outlook given the company's high-quality teaching, measured capacity expansion and rising demand for tutoring in China. There were also expectations that the Chinese government would announce education sector related policy changes in its 13th Five Year Plan. Household durables producer Zhejiang Supor Cookware advanced as its quarterly earnings beat expectations and its profit margin improved on lower costs and superior product mix. Elsewhere, the allocation to project management consultancy provider Coffey International enhanced returns as its board approved its sale to Tetra Tech. The position in Indonesia-based tobacco company Hanjaya Mandala Sampoerna rose following an announcement that the company is expected to satisfy the size criterion for inclusion on the MSCI Global Standard Index. The company also delivered positive quarterly results at the end of the month and reported an improvement in its profit margins due to an increase in prices. Selected holdings in the information technology sector also bolstered performance. Chinese language internet search provider Baidu added value following a share exchange deal that could boost its earnings. Baidu completed a share exchange transaction whereby it acquired ordinary shares in travel services provider Ctrip in exchange for shares in its subsidiary Qunar.

## Fund Positioning

The fund's positioning reflects a value bias and is run with high active money. The manager looks for companies with strong competitive advantages and structural growth opportunities at reasonable valuations, and avoids taking top-down macroeconomic views. The fund has a notable overweight stance in the consumer discretionary sector. International Housewares Retail is held for its strong cash generative Hong Kong business and potential turnaround in Singapore. The stock is attractively valued, offers high dividend yields and a good quality management team. New Oriental Education & Technology Group benefits from growing emphasis on after school education in China. Its online initiative can grow sustainably for a number of years. In the financials sector, HDFC Bank is expected to gain from its growing retail market presence both in terms of its physical brand and digital reach. A fall in interest rates and low inflation would likely support demand for loans. Religare Health Trust, a Singapore-based business trust that owns Fortis-operated hospitals in India, is a key holding in the health care space. With over 2,000 operational beds and the potential to expand with minimal capital expenditure, the company has strong earnings growth potential. In October, the manager sold a portion of holdings in Religare Health Trust. Meanwhile, a new holding was introduced in Indonesia based Hanjaya Mandala Sampoerna. Majority owned by Philip Morris, the company is one of the largest cigarette-maker in Indonesia that has been gaining market share due to the strength of its brands. The highly cash generative business is run efficiently and enjoys strong pricing power. The company's requirement for capital is limited and almost entire earnings are paid out as dividends.

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## 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 ten individual sectors/industries or countries. For funds investing in more than ten 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)
One month relative return (%)	2.25

## Position Contribution (%)

1 month

	Average Relative Weight	Relative Performance Contribution		Average Relative Weight	Relative Performance Contribution
<b>TOP CONTRIBUTORS</b>			<b>TOP DETRACTORS</b>		
NEW ORIENTAL ED & TECH GRP INC	2.9	0.79	POWER GRID CORP OF INDIA LTD	3.6	-0.36
COFFEY INTERNATIONAL LTD	0.4	0.44	INTERNATIONAL HOUSEWARES RETAIL CO LTD	3.0	-0.25
ZHEJIANG SUPOR COOKWARE CO LTD	1.8	0.43	HDFC BANK LTD	3.7	-0.15
HANJAYA MANDALA SAMPOERNA	1.0	0.25	SK HYNIX INC	1.1	-0.13
LT GROUP INC	1.5	0.24	SLATER & GORDON LTD	0.9	-0.12
BAIDU INC	0.8	0.23	BFI FINANCE INDONESIA TBK PT	0.6	-0.09
CIPUTRA PROPERTY PT	0.5	0.17	SAMSONITE INTERNATIONAL SA	0.5	-0.08
KPIT TECHNOLOGIES LTD	0.8	0.17	DREAM INTERNATIONAL LTD	0.9	-0.07
CHAOWEI POWER	0.7	0.13	LUEN THAI HOLDINGS LTD	0.9	-0.07
ZHAOPIN LTD	1.2	0.13	NOIDA TOLL BRIDGE COMPANY LTD	1.1	-0.07

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.

## Sector/Industry Contribution (%)

1 month

## Country Contribution (%)

1 month

CONTRIBUTIONS TO RELATIVE RETURN					CONTRIBUTIONS TO RELATIVE RETURN				
GICS Sector	Average Relative Weight	Security Selection	Sector/ Industry Selection	Total Relative Contribution		Average Relative Weight	Security Selection	Country Selection	Total Relative Contribution
Industrials	-6.0	0.99	0.12	1.11	China	-2.6	1.29	-0.08	1.21
Consumer Discretionary	7.9	0.61	0.08	0.70	Korea (South)	-11.5	0.17	0.57	0.75
Consumer Staples	1.9	0.38	0.12	0.50	Indonesia	2.9	0.09	0.28	0.37
Information Technology	-0.5	0.52	-0.05	0.47	Taiwan	-1.8	0.22	-0.02	0.21
Energy	-0.3	0.07	0.02	0.09	Philippines	0.9	0.20	0.00	0.20
Telecommunication Services	-0.8	0.02	0.02	0.03	Israel	0.1	0.00	0.00	0.00
Health Care	-0.6	-0.01	-0.01	-0.02	Mauritius	0.1	-0.02	0.00	-0.02
Materials	-5.1	0.15	-0.17	-0.03	New Zealand	-2.3	0.00	-0.14	-0.14
Financials	-0.6	0.19	-0.25	-0.06	India	7.0	0.07	-0.26	-0.20
Utilities	1.8	-0.50	0.09	-0.42	Hong Kong	2.2	-0.56	0.01	-0.55
					Other Countries	2.9	0.69	-0.11	0.57
<b>Total Primary Assets</b>	<b>-2.3</b>	<b>2.42</b>	<b>-0.02</b>	<b>2.39</b>	<b>Total Primary Assets</b>	<b>-2.3</b>	<b>2.14</b>	<b>0.25</b>	<b>2.39</b>
Other*	2.3			-0.14	Other*	2.3			-0.14
<b>TOTAL</b>	<b>0.0</b>			<b>2.25</b>	<b>TOTAL</b>	<b>0.0</b>			<b>2.25</b>

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

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