

EMERGING MARKETS FOCUS FUND A-USD

30 SEPTEMBER 2018

Portfolio manager: Alex Duffy

Performance for 12 month periods in USD (%)

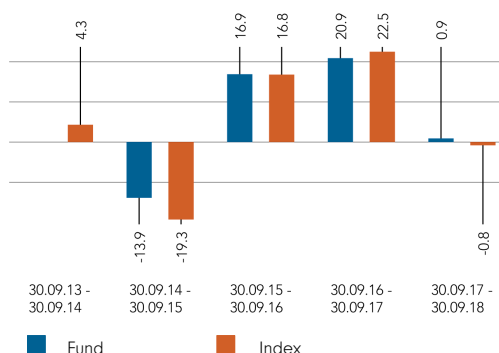
Performance over quarter in USD (%)

Fund	-1.5
Market index	-1.1

MSCI EMERGING MARKETS (N)

Market index is for comparative purposes only.

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

Emerging market equities ended a volatile quarter in negative territory. A strong US dollar; contagion risks from Argentina and Turkey; and geopolitical tensions between the US and Russia weighed on sentiment. The trade rift between the US and China escalated as both countries imposed tariffs and counter-tariffs on exports, resulting in a sell-off across riskier assets. Subsequently, Chinese stocks fell. However, the downside was limited as China said that it would pursue a more 'pro-active' fiscal policy in the form of tax cuts and increased infrastructure spending to boost domestic demand. In Latin America, Brazilian markets endured a volatile period as investors increasingly focused on the Presidential election in October. Meanwhile, the US imposed further sanctions against Russia, with Russian banks bearing the brunt of continued geopolitical tensions.

Fund Performance

The fund underperformed the index in a falling market, due to stock selection in the health care sector and a residual underweight stance in energy. However, information technology (IT) and consumer discretionary holdings supported returns.

Indian financials declined

Investors worried about inflationary pressures and bad loans in the non-banking financial sector, which negatively impacted sentiment in Indian markets. Shares in India's HDFC Bank slid following the surprise resignation of its long serving Deputy Managing Director. The bank's leadership team clarified that they have robust succession planning in place and will soon find a replacement. The position in housing finance company Housing Development Finance Corporation also fell.

Health care stocks disappointed

The position in CSPC Pharmaceutical declined as the US-China trade war negatively impacted sentiment among Chinese stocks. On a positive note, the limited exposure to Chinese internet company Tencent Holdings buoyed relative returns. Its share price fell as it reported lower-than expected quarterly revenues due to a slowdown in its mobile gaming business.

Consumer discretionary advanced

Hong Kong-based Techtronic Industries reported strong half-yearly revenues, driven by the strong performance of its power tools and floor care businesses. Avoiding Alibaba Group supported relative returns as its share price fell. However, the position in electrical appliance manufacturer Midea Group retreated as Chinese retail investors worried about slowing sales growth for the white goods sector in the short term. Nonetheless, the long-term case for rising demand remains intact.

Fund Positioning

I am overweight in the consumer and financials sectors, but underweight in energy. This is a result of my bottom-up stock picking approach.

Key positions in financials

The fund holds a range of emerging market banks and insurance companies. HDFC Bank has a strong track record, a credible management team and robust growth plans. It will gain from an improving economic environment and government reforms. Insurer AIA Group is a play on the structural growth story in the Asian life insurance market. Its Chinese operations will continue to deliver strong earnings, driven by growth in premium income. I prefer Indonesia-based Bank Central Asia for its strong cash management business and focus on retail banking.

Bias towards consumer stocks

The developing world presents a large consumer base owing to rising purchasing power and the resultant improvement in standards of living and increase in demand. I hold businesses that can capture this trend. For instance, South Africa-based food company AVI is likely to deliver stable sales growth and high margins. I hold Foshan Haitian Flavouring & Food Co. It has a strong market position in the sauces and flavouring markets, and its management's interests are well-aligned with those of its minority shareholders. In the discretionary sector, Techtronic Industries is a key holding. Its power tools business will benefit from a recovery in residential construction and infrastructure spending in the US. Zhejiang Supor Cookware has strong market positions in the cookware and small appliances segments in China.

Important Information

Past performance is not a reliable indicator of future results. The fund's returns can be affected by fluctuations in currency exchange rates.

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. The use of financial derivative instruments may result in increased gains or losses within the fund. This fund invests in emerging markets which can be more volatile than other more developed markets. In some emerging markets, such as Russia, the safekeeping provisions for securities benefit from less governed standards. Liquidity is a measure of how easily an investment can be converted into cash. Under certain market conditions assets may be difficult to sell.

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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 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 (%) 0.05

Position Contribution (%)

3 months

	Average Relative Weight	Relative Performance Contribution		Average Relative Weight	Relative Performance Contribution
TOP CONTRIBUTORS			TOP DETRACTORS		
TENCENT HLDGS LTD	-3.5	0.60	CSPC PHARMACEUTICAL GROUP LTD	1.9	-0.65
TECHTRONIC INDUSTRIES CO LTD	2.8	0.43	HDFC BANK LTD	5.2	-0.56
ALIBABA GROUP HOLDING LTD	-4.0	0.42	MIDEA GROUP CO LTD	2.1	-0.54
TAIWAN SEMICONDUCTR MFG CO LTD	1.6	0.31	HOUSING DEV FINANCE CORP LTD	2.8	-0.38
BANK CENTRAL ASIA TBK PT	3.6	0.30	LI NING CO LTD	2.1	-0.32
TATA CONSULTANCY SERVICES LTD	2.4	0.29	ZHONGSHENG GROUP HOLDINGS LTD	2.3	-0.32
CHAILEASE HOLDING CO LTD	2.1	0.28	COPA HOLDINGS SA	1.8	-0.30
INTERNATIONAL FLAVS & FRAG INC	2.1	0.27	CLICKS GROU LTD	2.0	-0.27
AIA GROUP LTD	5.3	0.24	MOSCOW EXCHANGE MICEX-RTS OAO	1.9	-0.26
MOL HUNGARIAN OIL AND GAS PLC	1.8	0.22	SAFARICOM LTD	1.5	-0.21

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 (%)

3 months

Country Contribution (%)

3 months

CONTRIBUTIONS TO RELATIVE RETURN

	Average Relative Weight	Security Selection	Sector/ Industry Selection	Total Relative Contribution
GICS Sector				
Information Technology	1.6	0.66	0.04	0.70
Communication Services	-3.7	0.18	0.32	0.50
Consumer Discretionary	2.2	0.56	-0.24	0.33
Materials	-1.7	0.28	-0.09	0.19
Real Estate	-2.9	0.00	0.13	0.13
Consumer Staples	2.3	0.10	-0.02	0.07
Utilities	-2.5	0.00	0.02	0.02
Financials	10.3	-0.56	0.25	-0.31
Industrials	-2.9	-0.30	-0.10	-0.40
Health Care	-0.7	-0.65	0.01	-0.64
Energy	-5.7	-0.05	-0.82	-0.87
Total Primary Assets	-3.5	0.22	-0.50	-0.27
Other*	3.5			0.33
TOTAL	0.0			0.05

CONTRIBUTIONS TO RELATIVE RETURN

	Average Relative Weight	Security Selection	Country Selection	Total Relative Contribution
Hong Kong	9.0	2.59	-1.82	0.77
Taiwan	-2.0	0.64	-0.14	0.50
Indonesia	2.0	0.20	0.06	0.26
China	-9.9	-0.41	0.64	0.23
Hungary	1.6	0.12	0.09	0.21
Kenya	1.5	-0.21	0.00	-0.21
Korea (South)	-9.4	-0.07	-0.16	-0.23
Thailand	-0.1	-0.24	-0.01	-0.25
Russia	-1.5	-0.42	-0.10	-0.52
India	4.9	-0.45	-0.13	-0.58
Other Countries	0.3	0.19	-0.65	-0.46
Total Primary Assets	-3.5	1.94	-2.21	-0.27
Other*	3.5			0.33
TOTAL	0.0			0.05

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

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