

Portfolio manager: Madeleine Kuang

Performance for 12 month periods in USD (%)

Performance over quarter in USD (%)

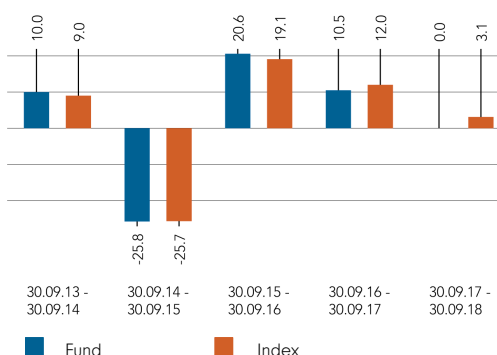
Fund 2.2

Market index 4.7

MSCI AC South East Asia (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

Equities in the Association of South East Asian Nations (ASEAN) started the quarter on a positive note. Sentiment received a boost after the US and the European Union (EU) reached a deal to ease trade barriers in July. Meanwhile, investor confidence weakened over the latter half of the quarter as worries over trade conflicts between the US and China, and currency turmoil in emerging markets dampened investor sentiment. Thailand recorded robust returns as higher current account surplus and foreign exchange reserves lowered currency risks. The approval of two key laws for the upcoming election in 2019 was also perceived as a positive. The Malaysian market advanced, mainly due to gains in information technology (IT) and communication services stocks. Meanwhile, commodity-specific shocks, driven by a decline in the production of natural gas and weakness in crude palm oil production, resulted in lower-than-anticipated economic growth. Equities in Singapore and the Philippines also rose, led by gains in communication services. Meanwhile, economic growth in both countries fell below estimates in the second quarter. Indonesian equities were supported by gains in the utilities and materials sectors. On the monetary policy front, in September, the central bank raised interest rates for the fifth time since May to stabilise the depreciating rupiah and control the widening current account deficit. All sectors in the ASEAN region except health care ended in positive territory. Of note, the energy, materials and IT sectors were the key gainers.

Fund Performance

The fund underperformed the index over the quarter, as selected communication services and consumer stocks came under pressure. Conversely, security selection in the industrials and IT sectors contributed to performance.

Selected consumer stocks held back gains

Hong Kong-based stuffed toy manufacturer Dream International slid as shipment delays stemming from the redesign and modification of a new product weighed on its half-year profits. Thailand-based convenience chain store operator CP All declined as its earnings fell below estimates. This was partially offset by the position in food processing company Charoen Pokphand Indonesia, which rose in light of better-than-anticipated earnings.

Communication services companies disappointed

Indonesian telecommunications infrastructure provider Sarana Menara Nusantara fell amid lower earnings expectations, stemming from a decline in lease rentals. Nonetheless, the stock is retained in view of its solid balance sheet, attractive valuations and modest dividend yield.

Selection in industrials and IT sectors enhanced value

Aircraft leasing company BOC Aviation rose. The company delivered better-than-anticipated earnings, driven by an expansion of its aircraft portfolio, higher-than-anticipated fee income from pre-delivery payment transactions, and effective control of funding costs. Printed circuit board manufacturer KCE Electronics rose as its healthy earnings reflected economies of scale stemming from the removal of production bottlenecks.

Fund Positioning

I favour businesses that are enduring franchises with sustainable competitive advantages, have a reasonable runway for future growth, attractive valuations with a good risk/reward profile, solid balance sheet and management with integrity and superior capital management ability.

Conviction in banks

I continue to favour DBS Group Holdings and United Overseas Bank. The former is held for its resilient asset quality and strong capital position. The latter's solid execution capability and plans to launch a digital bank are likely to bode well for its growth prospects. Kasikornbank is also held for its healthy asset quality and strong earnings visibility. The allocation to Bank Rakyat Indonesia is maintained in view of management's plans to refocus on its main strength in micro lending operating efficiency and to improve its technology to enhance its business processes. I am positive on Public Bank given its consistent earnings delivery and asset quality. I also like Bank Central Asia as it has a strong capital position, solid balance sheet, robust asset quality and attractive valuations.

Bias towards certain industrials and consumer staples

Convenience chain store operator CP All is retained for its leadership position in the convenience store business and its ability to adjust its strategy to cater to changing consumer behaviour. The allocation to BOC Aviation is maintained as it is a defensive play given the resilient nature of its business, high quality aircraft assets and diversified global operations.

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. Liquidity is a measure of how easily an investment can be converted into cash. Under certain market conditions assets may be difficult to sell.

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 (%) -2.07

Position Contribution (%)

3 months

	Average Relative Weight	Relative Performance Contribution		Average Relative Weight	Relative Performance Contribution
TOP CONTRIBUTORS			TOP DETRACTORS		
BOC AVIATION LTD	1.9	0.39	SARANA MENARA NUSANTARA PT	0.9	-0.31
CHAROEN POKPHAND INDONESIA	0.9	0.25	SIAM COMMERCIAL BK PUB CO LTD	-1.3	-0.28
KCE ELECTRONICS PCL	1.9	0.23	DREAM INTERNATIONAL LTD	1.0	-0.23
OVERSEA-CHINESE BKG CORP LTD	-4.5	0.23	CP ALL PCL	2.3	-0.21
INTL CONTAINER TERMIN SERV INC	1.1	0.16	CONCEPCION INDUSTRIAL CORP	0.4	-0.20
GENTING SINGAPORE LIMITED	-0.9	0.16	PEMBANGUNAN PERUMHN PERSERO PT	0.6	-0.20
KASIKORNBANK PCL	2.6	0.15	BK MANDIRI PERSERO TBK PT	1.5	-0.18
IHH HEALTHCARE BHD	-0.6	0.14	TELEKOMUNIKASI INDO PT (DEMAT)	-0.3	-0.18
CITY DEVELOPMENTS LTD	-0.5	0.12	PUREGOLD PRICE CLUB INC	1.7	-0.18
GENTING BHD	-0.8	0.10	DBS GROUP HLDGS LTD	2.7	-0.17

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				
Health Care	-0.2	0.11	0.06	0.17
Information Technology	1.1	0.20	-0.04	0.17
Industrials	0.2	0.07	0.00	0.07
Financials	8.3	-0.08	0.05	-0.02
Consumer Discretionary	-1.7	-0.31	0.24	-0.07
Energy	-2.7	0.07	-0.23	-0.16
Utilities	-0.9	-0.17	-0.03	-0.20
Real Estate	-3.9	-0.30	0.01	-0.29
Materials	-4.1	-0.08	-0.25	-0.33
Consumer Staples	4.3	-0.05	-0.29	-0.35
Communication Services	-4.1	-0.77	-0.17	-0.94
Total Primary Assets	-3.8	-1.31	-0.65	-1.96
Other*	3.8			-0.11
TOTAL	0.0			-2.07

CONTRIBUTIONS TO RELATIVE RETURN

	Average Relative Weight	Security Selection	Country Selection	Total Relative Contribution
China	1.9	0.39	0.00	0.39
Singapore	-7.9	-0.07	0.19	0.12
Malaysia	-8.8	-0.04	0.10	0.07
Hong Kong	1.1	-0.25	0.00	-0.25
Philippines	-1.7	-0.40	0.10	-0.30
Thailand	4.7	-1.39	0.44	-0.95
Indonesia	6.9	-0.92	-0.12	-1.04
Total Primary Assets	-3.8	-2.66	0.70	-1.96
Other*	3.8			-0.11
TOTAL	0.0			-2.07

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

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