

Portfolio manager: Anita Costa

Performance for 12 month periods in AUD (%)

Performance over quarter in AUD (%)

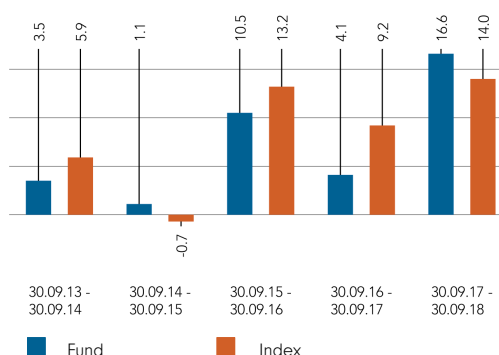
Fund 1.9

Market index 1.5

S&P ASX 200

Market index is for comparative purposes only.

Source of fund performance is Fidelity. Basis: nav-nav with income reinvested, in AUD, net of fees. Other share classes may be available. Please refer to the prospectus for more details.



Market Environment

Australian equities advanced over the quarter and outperformed regional markets. Stocks were resilient during the first two months of the quarter, against the backdrop of domestic political uncertainty and global trade frictions. Thereafter, profit taking and regulatory headwinds in some sectors subdued investor sentiment in September. At a sector level, merger and acquisition related news flow lifted the communications services sector. Energy stocks tracked crude oil prices higher. The information technology (IT) and health care sectors rose, led by an improvement in profitability prospects for certain companies. However, concerns around an inquiry into the aged-care industry held back gains in the latter. Financials underperformed as regulatory concerns and earnings weakness hurt banking stocks. Meanwhile, employment grew at a healthy pace over the quarter, while the unemployment rate edged slightly lower. The trade surplus expanded, buoyed by healthy demand for Australian exports and the recent weakness in the Australian dollar. Furthermore, National Australia Bank's monthly business survey pointed to favourable business conditions in Australia. Elsewhere, the central bank kept interest rates unchanged from current low levels to support economic growth and allow for further improvement in the labour market and inflation.

Fund Performance

The fund delivered healthy returns and outperformed the index over the quarter. Preferred IT holdings added value, as market share gains endorsed the competitiveness of their product platforms. Meanwhile, improving earnings growth and visibility lifted selected holdings.

Strengthening market position supported IT holdings

Afterpay Touch Group's healthy domestic business and strengthening global profile boosted its shares. The payment technology company made a solid start to its US operations and announced an expansion into the UK market. Logistics software specialist WiseTech Global posted solid full-year profits and revenue guidance for the current fiscal year. Its strong product platform and focus on synergistic acquisitions continues to support market share gains.

Improving profitability prospects enhanced gains

Construction and mining services contractor CIMIC Group and corporate travel specialist Corporate Travel Management delivered healthy earnings growth. The former's half-year earnings reflected robust revenues, strong cash conversion and a solid order pipeline. It also reaffirmed its full-year guidance. The latter delivered market share gains and an expansion in operating margins. It also issued a robust growth outlook for the current fiscal year.

Infrastructure contractor detracted

Weak gold prices and lower production forecasts for the current fiscal year prompted a round of profit taking in Evolution Mining. Nonetheless, it posted robust gold production, strong cash flows and a reduction in net debt. The allocation to RCR Tomlinson was reduced after write-downs related to certain solar contracts hurt its full-year earnings and prompted a capital raise.

Fund Positioning

I believe that underlying business returns drive share prices and favour companies that have a superior return profile, strong management team and healthy balance sheets. As an aggregate of my process, the fund has notable exposure to the consumer discretionary, health care and IT sectors.

Opportunities in resources

I bought a new position in coal miner Whitehaven Coal, which is led by a strong management team. Its long mine life and high product quality is expected to benefit from firm coal prices that in turn are supported by supply-side discipline and healthy demand growth. The company's focus on greenfield projects also supports its earnings growth prospects. Another preferred holding in Bluescope Steel has a healthy balance sheet and low-cost advantage versus peers. It is focusing on realising premium for value added products and remains a beneficiary of favourable demand-supply dynamics for steel. Elsewhere, I rotated out of Rio Tinto in favour of an increased allocation to BHP Billiton.

Favour businesses exposed to growing offshore markets

Aristocrat Leisure is an innovative gaming machines manufacturer that attracts the best talent in the industry. It benefits from the increasing penetration of its games in North America, as well as growth in its digital business. It also offers upside from its recent acquisitions in the social gaming space. Fibre cement manufacturer James Hardie Industries offers structural growth led by the increasing penetration of fibre cement in the US. It is favourably exposed to the ongoing recovery in the US housing market.

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 a relatively small number of companies. This can make the fund more volatile than other funds that are more diversified.

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	Australian Dollar (AUD)
Three month relative return (%)	0.90

Position Contribution (%)

3 months

	Average Relative Weight	Relative Performance Contribution		Average Relative Weight	Relative Performance Contribution
TOP CONTRIBUTORS			TOP DETRACTORS		
AFTERPAY TOUCH GROUP LTD	1.2	0.87	RCR TOMLINSON LTD	0.6	-0.51
WISETECH GLOBAL LTD	1.4	0.49	TELSTRA CORP LTD	-2.1	-0.46
CIMIC GROUP LTD	2.1	0.39	EVOLUTION MINING LTD	1.5	-0.46
CORPORATE TRAVEL MANAGEMNT LTD	2.3	0.31	ARISTOCRAT LEISURE LTD	3.0	-0.31
SANTOS LTD	1.4	0.21	JAMES HARDIE INDUSTRIES PLC	2.2	-0.22
ORIGIN ENERGY LTD	-0.9	0.20	WESTPAC BANKING CORP	3.0	-0.21
GOODMAN GROUP	3.6	0.19	BRAMBLES LTD	-1.0	-0.20
WOOLWORTHS GROUP LTD	-2.3	0.18	NEXTDC LTD	1.1	-0.19
ATLAS ARTERIA LTD	2.1	0.18	WOODSIDE PETROLEUM LTD	-2.0	-0.19
DOMAIN HOLDINGS AUSTRALIA LTD	2.2	0.18	RIO TINTO LTD	-0.8	-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

CONTRIBUTIONS TO RELATIVE RETURN

	Average Relative Weight	Security Selection	Sector/ Industry Selection	Total Relative Contribution
GICS Sector				
Information Technology	2.8	0.94	0.26	1.20
Real Estate	-3.0	0.24	0.01	0.25
Energy	-2.9	0.28	-0.06	0.22
Consumer Staples	1.0	0.04	0.07	0.11
Utilities	-2.0	0.00	0.11	0.11
Consumer Discretionary	6.0	-0.17	0.20	0.03
Industrials	-1.6	-0.23	0.19	-0.05
Health Care	3.7	-0.19	0.12	-0.08
Communication Services	0.9	0.41	-0.58	-0.18
Financials	-3.8	-0.31	0.09	-0.22
Materials	-3.0	-0.54	0.07	-0.47
Total Primary Assets	-1.9	0.45	0.48	0.93
Other*	1.9			-0.03
TOTAL	0.0			0.90

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

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