

EUROPEAN SMALLER COMPANIES FUND A-EURO

30 SEPTEMBER 2018

Portfolio manager: Colin Stone, Jim Maun

Performance for 12 month periods in EUR (%)

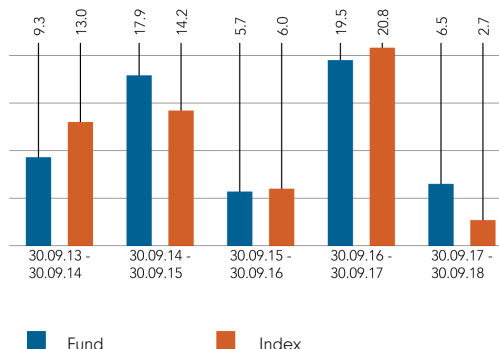
Performance over quarter in EUR (%)

Fund	-1.6
Market index	-0.4

EMIX Smaller European Companies - Gross

Market index is for comparative purposes only.

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



Market Environment

European small-cap equities declined over the quarter. Markets started the period on a positive note, aided by easing trade tensions between the US and Europe, and strong corporate earnings. The European Central Bank's (ECB) continued accommodative monetary policy stance also supported equities. The central bank left key interest rates unchanged and said that it expects to completely phase out its quantitative easing programme by the end of 2018. Later in the quarter, there were intermittent periods of volatility, primarily due to continued concerns over a trade war between the US and China, as well as the banking crisis in Turkey. Additionally, hopes of a softer Brexit suffered a setback, which added to volatility. Italy's higher than expected budget deficit target also hampered sentiment, as investors feared that the anti-establishment government lacks the commitment to address the country's high debt load. Data released in August showed that the eurozone's GDP grew 0.4% in the second quarter of 2018 (latest figures available as GDP is a lagging economic indicator). The economy grew despite negative net trade as business and other investments rose sharply. Meanwhile, the UK's GDP grew by 0.4%, driven by robust growth in the services sector. The eurozone's final composite Purchasing Managers' Index (PMI) declined in the April-June quarter compared to the previous quarter, as manufacturing sector activity slowed down due to rising trade protectionism and Brexit-related concerns. Higher oil prices lifted the headline inflation above 2.0% in September, but core inflation declined to 0.9%, well below the ECB's 2% target.

Fund Performance

The fund underperformed the index over the quarter, due to weaker performance of industrials holdings. Meanwhile, positioning in financials and consumer discretionary proved unfavourable. These losses were somewhat offset by strong stock selection in the health care and communication services sectors. Following MSCI sector reclassifications, telecommunications has been renamed communication services and now includes select technology and consumer discretionary companies.

Industrials companies pared gains

Shares in superyacht refurbishment specialist GYG retreated following a profit warning for full year 2018, due to weaker than expected demand and delays in refits of vessels. Nonetheless, we believe that the company's long-term growth prospects remain intact.

Financials and consumer discretionary held back returns

In financials, IG Group fell after it reported slightly weaker first quarter results and announced the departure of its CEO. In consumer discretionary, gaming company GVC Holdings retreated despite posting positive results for the first half, due to profit-taking after sustained strong share price performance and concerns about investment requirements for the deregulating US market. Shares in XXL were negatively impacted by weather-driven weak revenues and earnings growth in the second quarter.

Health care and communication services holdings added value

In health care, Sartorius Stedim Biotech and Craneware contributed strongly to returns. Both these stocks benefited from positive results for the first half of 2018. In communication services, 4imprint Group (reclassified from consumer discretionary) benefited from strong top-line growth in the first half.

Fund Positioning

We focus on identifying well managed, cash generative companies that have clear market leadership, a sustainable competitive advantage and profits driven by strong sales growth. The portfolio retains a bias towards quality growth stocks with large overweight positions in consumer discretionary. The fund is also overweight in the communication services and materials sectors, while being underweight in industrials and real estate.

Prefer consumer discretionary holdings

We have many strong ideas in the sector with core positions in GVC Holdings and Just Eat. Both the companies are well placed to achieve long term growth due to their strong positions in the online gambling and the online takeaway food ordering markets, respectively. Basic-Fit is another key position in the portfolio. However, we trimmed our position size following strength in its share price. We also took some profits in Takeaway.com following a share price rally.

Profit taking in strong performers in IT

We closed the positions in enterprise software provider New Relic and Hubspot following strong share price performance. The proceeds were used to purchase additional shares in Decra Pharmaceuticals to benefit from share price weakness. The stock fell due to concerns that the company's customer base is becoming more concentrated from small vets selling to larger chains. We like the company for its high-quality business and strong track record of delivering earnings growth. We also increased the exposure to Glenveagh Properties, which is well placed to benefit from the strong fundamentals of the Irish 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 more heavily than others in smaller companies, which can carry a higher risk because their share prices may be more volatile than those of larger companies. 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 Euro (EUR)
Three month relative return (%) -1.10

Position Contribution (%)

3 months

	Average Relative Weight	Relative Performance Contribution		Average Relative Weight	Relative Performance Contribution
TOP CONTRIBUTORS			TOP DETRACTORS		
SARTORIUS STEDIM BIOTECH	1.4	0.40	IG GROUP PLC	1.2	-0.26
NEVSUN RES LTD	1.2	0.35	GVC HOLDINGS PLC	1.9	-0.20
CRANEWARE PLC	0.6	0.28	XXL ASA	0.4	-0.20
4IMPRINT GROUP PLC	1.7	0.25	GYG PLC	0.3	-0.19
CREO MEDICAL GROUP PLC	0.2	0.24	JUST EAT PLC	1.3	-0.18
SCHIBSTED AS	1.1	0.24	SEMAFO INC	0.9	-0.17
MCCARTHY & STONE PLC	0.7	0.24	GLENVEAGH PROPERTIES PLC	0.8	-0.17
RADISSON HOSPITALITY AB	0.9	0.21	WIZZ AIR HOLDINGS PLC	0.7	-0.16
AROUNDTOWN SA	1.8	0.16	ROOTS CORP	0.4	-0.16
AMBEA AB	0.8	0.15	SEEING MACHINES LTD	0.3	-0.16

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	-0.6	0.70	-0.01	0.69
Communication Services	3.7	0.60	-0.06	0.54
Information Technology	-0.1	-0.09	0.29	0.20
Real Estate	-5.9	0.03	0.03	0.06
Energy	1.2	-0.02	0.00	-0.02
Materials	2.3	0.07	-0.17	-0.10
Consumer Staples	-3.4	-0.14	0.04	-0.10
Utilities	-2.5	-0.10	-0.11	-0.21
Consumer Discretionary	15.5	0.03	-0.49	-0.46
Financials	-2.5	-0.31	-0.37	-0.68
Industrials	-7.9	-0.80	0.04	-0.77
Total Primary Assets	-0.3	-0.04	-0.82	-0.86
Other*	0.3			-0.24
TOTAL	0.0			-1.10

CONTRIBUTIONS TO RELATIVE RETURN

	Average Relative Weight	Security Selection	Country Selection	Total Relative Contribution
United States	3.1	0.27	0.00	0.27
Netherlands	1.5	0.18	-0.03	0.16
France	-2.8	0.09	0.06	0.15
Denmark	-2.1	0.04	0.07	0.11
Israel	0.5	0.10	0.00	0.10
Spain	-3.1	-0.15	0.00	-0.16
Germany	0.6	-0.21	0.00	-0.21
Australia	0.9	-0.24	0.00	-0.24
Austria	-1.4	-0.21	-0.08	-0.28
Norway	-1.7	-0.23	-0.12	-0.35
Other Countries	3.3	-0.01	-0.43	-0.43
Index / Unclassified	0.9	0.03	0.00	0.03
Total Primary Assets	-0.3	-0.34	-0.52	-0.86
Other*	0.3			-0.24
TOTAL	0.0			-1.10

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

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