

EUROPEAN SMALLER COMPANIES FUND A-EURO

31 OCTOBER 2015

Portfolio manager: Colin Stone

Approach and Style

Performance over month in EUR (%)

Fund	4.5
Market index	6.2

Euromoney Euro Sm Cos (G)

Colin Stone is a growth investor and his portfolio will display strong growth characteristics in all phases of the market cycle. He looks for companies that can grow revenues significantly above GDP with operational gearing to drive margin improvement while generating strong free cash flows. Ideas will generally fall into an underlying theme that shows structural growth. Examples include mobile-related technology, developing economies or healthcare. Colin places great emphasis on Fidelity's in-house research.

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 EUR, net of fees. Other share classes may be available. Please refer to the prospectus for more details.

Market Environment

European equities rebounded sharply in October. European Central Bank (ECB) President Mario Draghi indicated a willingness to expand stimulus measures to boost inflation in the eurozone, which had slipped below zero in September. Market sentiment was further boosted by the US Fed's decision to keep US interest rates unchanged and China's announcement of an unexpected interest rate cut. Meanwhile, all sectors ended in positive territory, with energy and technology registering the sharpest gains. Large-cap companies outperformed their smaller peers, whereas growth stocks marginally outperformed value companies. Macroeconomic data releases were broadly positive during the month. The eurozone Markit Manufacturing PMI rose to 52.3 in October, higher than the previous month's figure of 52.0. The strongest rates of output growth came from the Netherlands, Italy and Austria. Germany and Ireland also reported relatively solid output expansion. In the UK, GDP growth slowed in the third quarter of the year to 0.5%, weighed down by the performance of the construction and manufacturing sectors. Meanwhile, Eurozone inflation returned to zero in October as compared to previous month's figure of -0.1%. However, it remains significantly below the ECB's target rate of below but close to 2%. The German Ifo Business Climate Index dipped slightly to 108.2 points in October, from 108.5 points in September.

Fund Performance

The fund produced strong positive returns but underperformed the index in October. Stock selection in consumer discretionary and the exposure to industrials detracted from performance. This was partially offset by gains in selected holdings in the financials and energy sectors. German automobile parts supplier Leoni fell after management issued a profit warning for 2015 and lowered its 2016 revenue guidance. However, the ongoing recovery in the European automobile market and an inexpensive valuation provides scope for decent upside. UK-listed industrial lightning company Dialight was also negatively impacted as it reported disappointing quarterly results. Notwithstanding short-term concerns, the company's strong fundamentals, driven by its hazardous lighting business, could provide upside in the medium to long term. The UK-based real estate business Foxtons Group also retreated after it reported weak nine month earnings, as transaction volumes in the London housing market were slow to recover. Sweden-based construction material company Bygghem fell as its third-quarter results were negatively impacted by the depreciation of the Norwegian krone. On a positive note, the holding in online fashion retailer ASOS gained as it reported strong full-year results. Similarly, UK-based wealth management firm St. James Place rose on the back of a positive trading statement for the third quarter. Auto Trader benefited from broker upgrades and an improved outlook for the UK economy. Within energy, Lekoil was the key contributor to returns as the company started production from the Otakikpo field. Elsewhere, Eurofins Scientific performed well following its strong third-quarter results. The laboratory-testing services company also raised its 2016 revenue guidance, which further supported its shares.

Fund Positioning

The manager is finding a number of very attractive growth companies in internet-related, software and outsourcing themes and roll-out stories, which account for substantial portfolio weightings. As a result, the fund remains overweight in the information technology (IT) sector, where software and IT services company Luxoft Holding remains a large position. Luxoft is one of the better-positioned software outsourcing firm that provides high-end software engineering talent and low-cost delivery from Eastern Europe. Within financials, the manager likes specialist German residential real estate company Grand City Properties, which has a successful formula for buying distressed units, spending minimal amounts of money on them and quickly reducing vacancy and increasing rents to normalised market levels within three years. Online property portal Rightmove is another large holding as it has strong long-term growth potential, supported by the structural shift in estate agents advertising online and cyclical upside from the recovery in the UK housing market. Over the month, the position in materials firm RM2 International was increased as its business remains compelling owing to its cash-generative pallets business. Elsewhere, the allocation to Mothercare and Sophos was reduced following a strong run in their share price. The manager also lowered the exposure in Poundland following a proposal to raise wages. The position in Rocket Internet was also reduced following a strong rally in its share price.

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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 Euro (EUR)
One month relative return (%) -1.62

Position Contribution (%)

1 month

	Average Relative Weight	Relative Performance Contribution		Average Relative Weight	Relative Performance Contribution
TOP CONTRIBUTORS			TOP DETRACTORS		
ASOS PLC	1.1	0.17	SPOTIFY TECHNOLOGY SA	0.6	-0.20
ST JAMES'S PLACE PLC	1.2	0.13	LEONI AG	0.5	-0.18
SARTORIUS STEDIM BIOTECH	0.8	0.11	VERONA PHARMA PLC	0.3	-0.17
AROUNDTOWN PROPERTY HOLDINGS PLC	1.0	0.10	FOXTONS GROUP PLC	0.7	-0.14
AUTO TRADER GROUP PLC	0.7	0.09	DIALIGHT PLC	0.8	-0.13
FDM GROUP PLC	0.5	0.08	BYGGMAX GROUP AB	0.9	-0.12
REGUS PLC	1.2	0.08	COMPUGROUP MEDICAL AG	0.7	-0.11
EUROFINS SCIENTIFIC SE	0.6	0.08	QUANTUM PHARMACEUTICAL PLC	0.7	-0.10
ANIMA HOLDING SPA	1.0	0.08	RNTS MEDIA N.V.	0.8	-0.10
REZIDOR HOTEL GROUP AB	1.1	0.07	NEXUS AG	0.6	-0.09

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

	Average Relative Weight	Security Selection	Sector/ Industry Selection	Total Relative Contribution
GICS Sector				
Financials	-0.3	0.13	0.02	0.15
Energy	-0.4	0.10	-0.02	0.08
Consumer Staples	-3.6	0.00	0.06	0.05
Multi Sector	0.6	0.02	0.00	0.02
Materials	-2.3	-0.01	-0.01	-0.02
Utilities	-2.2	-0.02	-0.03	-0.05
Telecommunication Services	-0.8	-0.07	-0.01	-0.07
Information Technology	10.5	-0.22	0.13	-0.09
Industrials	-7.7	0.03	-0.13	-0.11
Health Care	0.5	-0.30	0.01	-0.29
Index / Unclassified	0.0	0.00	0.00	0.00
Total Primary Assets	-0.5	-0.98	0.11	-0.87
Other*	0.5			-0.75
TOTAL	0.0			-1.62

CONTRIBUTIONS TO RELATIVE RETURN

	Average Relative Weight	Security Selection	Country Selection	Total Relative Contribution
Italy	-6.1	0.22	0.05	0.27
France	-2.8	0.17	-0.01	0.16
Switzerland	-0.6	0.14	0.01	0.15
Denmark	-1.3	0.05	0.07	0.13
Belgium	-1.3	0.05	0.01	0.05
Ireland	2.6	0.04	-0.09	-0.05
Finland	-1.9	0.01	-0.06	-0.05
Spain	-4.5	-0.03	-0.09	-0.12
Sweden	-5.1	-0.32	-0.11	-0.43
Germany	5.3	-0.92	-0.01	-0.93
Other Countries	14.5	0.21	-0.30	-0.09
Index / Unclassified	0.6	0.02	0.00	0.02
Total Primary Assets	-0.5	-0.35	-0.52	-0.87
Other*	0.5			-0.75
TOTAL	0.0			-1.62

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

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