

Portfolio manager: Christian von Engelbrechten

Approach and Style

Christian von Engelbrechten believes a good investment is a favourable combination of quality and the price you pay for it. He defines quality as high return on capital turning into above-average profit growth and payouts. He uses in-depth fundamental research to analyse the profit and return drivers of each company across regions, divisions and products. Christian draws extensively on Fidelity's in-house research and emphasises contacting companies, visiting their operations as well as looking at customers, suppliers and competitors. He focuses on identifying companies whose profit growth is likely to sustainably exceed the overall economic growth not yet priced in by the market. Underestimated small cap stocks are an important part of the portfolio.

Performance over month in EUR (%)

Fund 3.5

Market index 4.5

HDAX

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 advanced on expectations that European Central Bank (ECB) President Mario Draghi will announce more stimulus measures to revive inflation and boost growth in the region. However, uncertainty prevailed due to rising geopolitical tensions as Turkey shot down a Russian fighter jet near the Syrian border. The increased likelihood of a first interest rate hike in nearly a decade by the US Federal Reserve also dampened overall market sentiment. Nonetheless, all sectors ended in positive territory, with industrials and technology gaining the most. Large-cap companies lagged their small and mid-cap peers, whereas growth stocks outperformed value companies. Macroeconomic data releases were positive during the month. The eurozone Markit Composite Purchasing Managers' Index (PMI) rose to 54.2 in November. The expansion in economic activity during the month was evenly distributed across the manufacturing and service sectors. The pace of manufacturing output growth also increased, with a substantial improvement in order books. New business in the service sector rose at the fastest pace in four-and-a-half years, while new manufacturing orders registered the fastest increase since April 2014. The German Ifo Business Climate Index also rose unexpectedly in November. Meanwhile, the eurozone Economic Sentiment Indicator (ESI) remained broadly stable, with increased confidence among consumers and in the services and construction sectors. Eurozone inflation remained at 0.1% in November, which further raised the prospects of fresh stimulus from the ECB.

Fund Performance

The fund underperformed the index over the month. Low return, low growth cyclical stocks such as automobiles advanced amid speculation over enhanced quantitative easing by the European Central Bank. Against this backdrop, not holding automobiles manufacturers Volkswagen and BMW detracted from relative returns. The manager believes that the automobiles sector is not a consistent value creator and that its earnings cycle is well advanced, with declining growth rates in China and a maturing US market. Elsewhere, certain holdings fell over the month, although they have good longer term growth prospects. Positions in health care provider Fresenius Medical Care and transportation and logistics provider Sixt were among the notable detractors from returns. The manager, however, continues to favour high-quality growth companies with a small and mid-cap bias. On a positive note, selected positions were buoyed by encouraging results and good growth prospects. Consumer cyclical firm Henkel, financial services provider Grenke Leasing and software provider GFT Technologies were among the top contributors to returns. Some industrials holdings also proved favourable. In particular, positions in aerospace and defence company MTU Aero Engines and machinery company Kion Group rose amid encouraging prospects. Additionally, the lack of exposure to Deutsche Bank and E.ON added relative value.

Fund Positioning

The manager continues to favour high-quality companies with a small and mid-cap bias. He favours firms with returns on invested capital that are consistently above the cost of capital and that trade on attractive valuations. He believes that these are the types of businesses that create value for shareholders over the long-term and can prosper even in adverse environments. Currently, the fund has an overweight stance in the financial services sector. Within the sector, Grenke Leasing and Vonovia are among the top active holdings in the portfolio. The fund also has an overweight stance in the software sector. United Internet is one of the largest active positions in the portfolio. The manager expects the company to report strong customer wins, double-digit earnings growth and high cash flows. The manager also favours automobile suppliers. For instance, Continental, a manufacturer of premium tyres and other automobile components, is a preferred holding in the portfolio. Input prices for raw materials, such as rubber and oil, have fallen dramatically. The company is also seeing strong structural growth in more sophisticated products such as those that focus on reducing carbon dioxide emissions and driver safety technologies. In November, the manager increased the position in industrial firm Siemens and chemicals company BASF given an improvement in their growth prospects.

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 (%)	-0.81

Position Contribution (%)

1 month

	Average Relative Weight	Relative Performance Contribution		Average Relative Weight	Relative Performance Contribution
TOP CONTRIBUTORS			TOP DETRACTORS		
DEUTSCHE BANK AG	-3.0	0.28	FRESENIUS MED CRE AG & CO KGAA	3.0	-0.28
E.ON SE	-1.6	0.18	VOLKSWAGEN AG	-1.5	-0.24
MTU AERO ENGINES AG	2.1	0.16	INFINEON TECHNOLOGIES AG	-1.1	-0.23
GRENKE LEASING AG	2.5	0.13	VONOVIA SE	2.3	-0.19
OSRAM LICHT AG	-0.3	0.12	BAYERISCHE MOTR WERKE (BMW) AG	-2.7	-0.16
KION GROUP AG	1.2	0.12	DEUTSCHE BOERSE AG	2.0	-0.15
GFT TECHNOLOGIES SE	1.4	0.11	SIXT SE	2.4	-0.15
RWE AG	-0.5	0.10	AMADEUS FIRE AG	0.8	-0.13
HENKEL AG & CO KGAA	2.1	0.10	DRILLISCH AG	0.9	-0.13
BOSS (HUGO) AG	-0.5	0.09	SIEMENS AG	-4.6	-0.12

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

CONTRIBUTIONS TO RELATIVE RETURN

GICS Sector	Average Relative Weight	Security Selection	Sector/ Industry Selection	Total Relative Contribution
Utilities	-2.1	0.00	0.28	0.28
Industrials	1.6	0.20	0.04	0.24
Consumer Staples	0.8	0.00	0.08	0.08
Financials	-1.8	0.57	-0.55	0.02
Telecommunication Services	-3.5	-0.09	0.05	-0.04
Materials	-7.8	0.06	-0.11	-0.05
Information Technology	1.5	0.04	-0.20	-0.16
Health Care	7.2	-0.12	-0.18	-0.29
Consumer Discretionary	3.0	-0.30	-0.65	-0.95
Index / Unclassified	0.9	0.01	0.00	0.01
Total Primary Assets	-0.1	0.37	-1.24	-0.87
Other*	0.1			0.06
TOTAL	0.0			-0.81

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

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