

Portfolio manager: Raymond Ma

Performance for 12 month periods in USD (%)

Performance over quarter in USD (%)

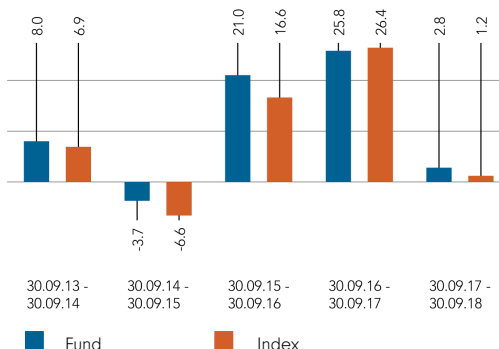
Fund -5.2

Market index -3.3

MSCI Golden Dragon (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

Worries over an economic slowdown in China against the backdrop of the trade war with the US dampened sentiment towards Chinese equities. Macroeconomic data also disappointed, which further hampered markets. Nonetheless, authorities unveiled a package of targeted stimulus measures to cushion the impact of the trade war, which helped to contain losses. On the economic front, second quarter GDP growth slowed compared to the previous quarter, due to the impact of Beijing's crackdown on debt risks and a sharp fall in factory output in June. In key developments, authorities approved major urban railway projects and pushed local governments to speed up the issuance of special bonds to fund infrastructure projects. Fear of further interest rate increases and currency turmoil in emerging markets weighed on Hong Kong equities. Weakness in fixed asset investment growth resulted in weaker-than-anticipated second quarter GDP. Additionally, the Hong Kong Monetary Authority raised its base interest rate in line with the increase in the US interest rate, as the Hong Kong dollar is pegged to the US dollar. Conversely, Taiwanese equities advanced, mainly due to gains in the energy and information technology (IT) sectors. On the economic front, robust exports, resilient private consumption and government spending resulted in better-than-expected GDP for the second quarter. At the sector level in the Greater China region, the health care and consumer discretionary sectors declined. Conversely, the energy, materials and industrials sectors ended in positive territory.

Fund Performance

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

Exposure to consumer and health care stocks disappointed

In the consumer discretionary space, e-commerce company Alibaba Group fell amid worries over a slowdown in earnings growth and higher investments in new retail initiatives. Private educational service provider New Oriental Education and Technology retreated as the aggressive expansion of its new learning centres weighed on its earnings. Concerns over regulatory tightening of the operating environment for the after-school education market further dampened sentiment towards the stock. In the health care space, Sino Biopharmaceutical declined amid concerns over price cuts and the lack of quality products in its product pipeline.

Selected IT and energy stocks supported gains

Within the IT sector, global semiconductor foundry leader Taiwan Semiconductor Manufacturing rose as its key US-based rival GlobalFoundry announced its exit from the leading next generation 7nm semiconductor segment. In the energy space, China Petroleum and Chemical Corporation and CNOOC advanced in light of healthy earnings aided by rising crude oil prices. Shares in the former were further supported by strength in its refining segment, while the latter benefited from robust cost controls.

Fund Positioning

I continue to favour the "New China" theme. These sectors are expected to witness solid growth in the coming years due to technology advancements, changes in consumer behaviour and flexible business strategies. Furthermore, they are less sensitive to short-term policy shifts.

Overweight in consumer discretionary and IT

Within IT stocks, global semiconductor foundry leader Taiwan Semiconductor Manufacturing has a dominant position in wafer production for artificial intelligence (AI), the internet of things (IoT) and automotive chips. In the consumer discretionary space, Alibaba Group is held for its robust long-term growth prospects. The company is improving its comprehensive business ecosystem and infrastructure. This should enable its business segments to benefit from digitisation and lift their operational efficiency and competitive strength.

Bias towards selected holdings maintained

I hold Industrial and Commercial Bank of China as it is a well-managed bank with an improving margin outlook, robust asset quality and strong capital position. The allocation to AIA Group is maintained given its defensive business model, differentiated product and distribution strategies, healthy balance sheet and robust earnings outlook. China Pacific Insurance is well-placed to deliver strong growth and attractive dividend yield relative to its peers. Integrated telecommunications operator China Unicom (Hong Kong) is also retained in light of its defensive business model, management's strong track record, healthy balance sheet and attractive valuations.

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 (%) -1.38

Position Contribution (%)

3 months

	Average Relative Weight	Relative Performance Contribution		Average Relative Weight	Relative Performance Contribution
TOP CONTRIBUTORS			TOP DETRACTORS		
TAIWAN SEMICONDUCTR MFG CO LTD	2.2	0.38	ALIBABA GROUP HOLDING LTD	1.5	-0.22
CHINA PETROLEUM & CHEM CORP	1.1	0.18	SINO BIOPHARMACEUTICAL LTD	0.5	-0.18
CNOOC LTD	0.7	0.15	NEW ORIENTAL ED & TECH GRP INC	0.8	-0.18
CSPC PHARMACEUTICAL GROUP LTD	-0.4	0.13	ANGEL YEAST CO LTD	0.7	-0.17
ZHUZHOU CRRC TIMES ELECTRIC CO LTD	0.8	0.13	HAN'S LASER TECHNOLOGY INDUSTRY GROUP	0.6	-0.16
YAGEO CORP	-0.2	0.13	AUTEK CHINA INC	0.6	-0.15
INDUSTRIAL & COML BK CHINA	2.1	0.12	JIANGSU HENGRUI MEDICIN CO LTD	0.7	-0.14
COUNTRY GARDEN HLDGS CO LTD	-0.4	0.11	SHANGRI LA ASIA LTD	0.6	-0.12
LENOVO GROUP LTD	0.2	0.10	CHINA LODGING GROUP LTD	0.6	-0.11
GEELY AUTOMOBILE HLDGS LTD	-0.4	0.09	GOODBABY INTL HLDGS LTD	0.3	-0.11

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				
Energy	1.9	0.00	0.38	0.38
Information Technology	-0.5	0.12	0.25	0.37
Real Estate	-2.5	0.14	0.07	0.21
Materials	-1.7	0.03	-0.12	-0.09
Utilities	-1.1	-0.12	-0.05	-0.18
Consumer Staples	1.5	-0.08	-0.09	-0.18
Communication Services	-1.3	-0.48	0.27	-0.21
Health Care	2.2	-0.50	0.08	-0.42
Industrials	-0.7	-0.25	-0.20	-0.45
Consumer Discretionary	2.3	0.02	-0.56	-0.53
Financials	-5.8	-0.33	-0.21	-0.54
Total Primary Assets	-5.6	-1.45	-0.18	-1.62
Other*	5.6			0.25
TOTAL	0.0			-1.38

CONTRIBUTIONS TO RELATIVE RETURN

	Average Relative Weight	Security Selection	Country Selection	Total Relative Contribution
Grand Cayman (UK)	0.5	-0.06	0.00	-0.06
Singapore	-0.1	-0.10	0.00	-0.10
Taiwan	-8.6	0.56	-0.84	-0.28
Hong Kong	-3.0	-0.39	-0.08	-0.47
China	5.7	-0.47	-0.24	-0.72
Total Primary Assets	-5.6	-0.46	-1.17	-1.62
Other*	5.6			0.25
TOTAL	0.0			-1.38

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

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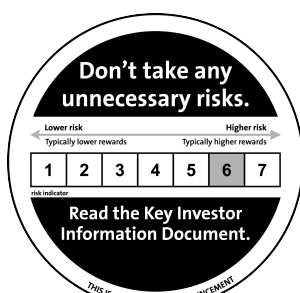
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