

Portfolio manager: Madeleine Kuang

Performance for 12 month periods in USD (%)

Performance over quarter in USD (%)

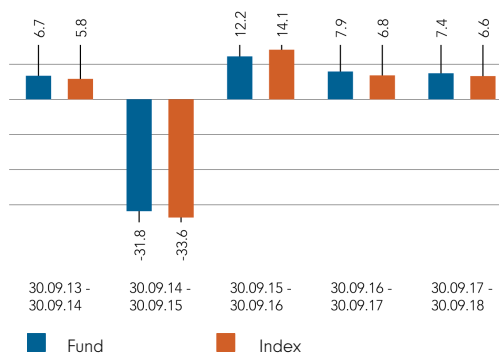
Fund 2.9

Market index 3.2

MSCI IMI MALAYSIA (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

Malaysian equities advanced, mainly due to gains in the information technology (IT), materials and communication services sectors. On the economic front, commodity-specific shocks, driven by a decline in the production of natural gas and weakness in crude palm oil production, resulted in lower-than-anticipated economic growth in the second quarter.

Nonetheless, the World Bank maintained its economic growth forecasts for 2018 at 5.4% as it anticipates stronger growth in household consumption. Household spending, which remains the primary driver of Malaysia's economic growth, is likely to strengthen over the year, aided by new policy measures, such as a temporary suspension of consumption tax. Exports accelerated at a faster-than-anticipated pace in July, due to higher shipments to China and increased demand for manufactured goods. Industrial production was also higher than anticipated in July, boosted by the manufacturing and electricity sectors. Manufacturing activity registered the fastest pace of expansion in ten months in September, driven by a faster rate of job creation, and a continued increase in new orders and output. On a less positive note, consumer prices rose at the slowest pace in 42 months in August, mainly due to a sharp fall in fuel prices. In key developments, Bank Negara Malaysia announced changes in some of its foreign exchange administration policies in August, in order to facilitate operational efficiencies and risk management for businesses and financial institutions.

Fund Performance

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

Health care holdings came under pressure

Rubber glove manufacturer Top Glove Corporation fell amid uncertainty over the impact of the long-drawn litigation with its recently acquired surgical glove manufacturer Aspion. The overweight allocation to medical glove manufacturer Supermax Corporation also hampered performance as its weaker-than-anticipated earnings reflected higher operational expenditure, taxes and foreign exchange losses.

Certain consumer staples held back gains

Beer producer Heineken Malaysia retreated as increased commercial spending for its promotional campaigns related to the World Cup and Lunar New Year festivities, and a change in the product mix weighed on its quarterly earnings.

Selected IT and industrial stocks added value

Within the IT sector, inspection machine manufacturer ViTrox Corporation added value. It reported better-than-anticipated earnings, as new orders from a wider customer base lifted its sales volume growth. In industrials, construction service provider Econpile Holdings aided returns. Higher billings from its ongoing projects, mainly from its recently awarded contract for Phase II construction at Pavilion Damansara Heights, is likely to strengthen its order book and bolster its earnings. Elsewhere, the exposure to Scientex, a manufacturer of packaging products, added value as the strong performance of its manufacturing and property divisions resulted in robust earnings.

Fund Positioning

I favour businesses that are enduring franchises with sustainable competitive advantages, have a reasonable runway of future growth, attractive valuations with a good risk reward profile, solid balance sheet and superior capital management ability.

Overweight in financials and materials sectors

Within financials, I am positive on Malayan Banking given an improvement in its net interest margins, strong capital position and attractive dividend yield. I also favour LPI Capital as the addition of digital initiatives to its operations is likely to bolster its long-term growth prospects. Within materials, Scientex is retained for its attractive valuations.

Positive on stocks with solid prospects

Plantation company Kuala Lumpur Kepong is held for its high exposure to the palm oil business, good track record of earnings delivery and healthy balance sheet. I also like Carlsberg Brewery as it enjoys healthy dividend yields and attractive valuations. Additionally, its earnings growth prospects remain strong, supported by growth in its premium portfolio and delivery of cost optimisation initiatives. Construction service provider Muhibbah Engineering is retained in light of its cheap valuations. The company is also expected to benefit from its exposure to airport concessions in Cambodia and overseas contracts in Qatar. Property developer UOA Development continues to trade at attractive valuations on the back of its steadily growing earnings profile.

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. This fund invests in smaller markets which can make it more volatile than funds investing in larger 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 (%)	0.14

Position Contribution (%)

3 months

	Average Relative Weight	Relative Performance Contribution		Average Relative Weight	Relative Performance Contribution
TOP CONTRIBUTORS			TOP DETRACTORS		
VITROX CORP BHD	2.1	0.77	TOP GLOVE CORP BHD	1.4	-0.31
IHH HEALTHCARE BHD	-1.7	0.37	MY E.G.SERVICES BERHAD	-0.4	-0.26
SCIENEX BHD	1.7	0.29	HEINEKEN MALAYSIA BHD	2.0	-0.25
UCHI TECHNOLOGIES BHD	0.8	0.18	SUPERMAX CORPORATION BHD	0.7	-0.21
ECONPILE HOLDINGS BHD	0.3	0.16	MEGA FIRST CORP BHD	1.6	-0.21
SIME DARBY PLANTATION BHD	-2.1	0.12	UOA DEVELOPMENT BHD	1.8	-0.17
MALAYAN BKG BERHAD	2.5	0.12	AXIATA GROUP BERHAD	-1.4	-0.17
BUMI ARMADA BHD	-0.3	0.10	DIGI.COM BERHAD	-1.0	-0.11
UMW HOLDINGS BHD	-0.4	0.09	AEON CO (M) BHD	0.3	-0.11
WESTPORTS HOLDINGS BHD	1.2	0.09	SP SETIA BHD	0.5	-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

CONTRIBUTIONS TO RELATIVE RETURN

	Average Relative Weight	Security Selection	Sector/ Industry Selection	Total Relative Contribution
GICS Sector				
Information Technology	1.7	0.48	0.10	0.58
Industrials	-0.7	0.06	0.22	0.27
Consumer Staples	0.4	0.30	-0.13	0.17
Financials	5.6	-0.06	0.20	0.15
Materials	0.1	0.11	0.01	0.12
Consumer Discretionary	-2.1	-0.16	0.24	0.08
Energy	-1.8	0.00	0.04	0.03
Health Care	-1.8	-0.52	0.31	-0.21
Real Estate	2.2	-0.19	-0.13	-0.32
Utilities	-2.5	-0.31	-0.03	-0.34
Communication Services	-4.3	-0.03	-0.43	-0.46
Total Primary Assets	-3.1	-0.32	0.38	0.06
Other*	3.1			0.08
TOTAL	0.0			0.14

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

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