

Portfolio manager: Hyomi Jie

Performance for 12 month periods in USD (%)

## Performance over quarter in USD (%)

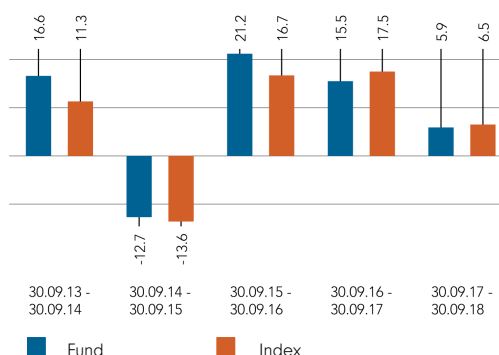
Fund 2.2

Market index 2.2

MSCI Taiwan Index Capped 8% (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

Taiwanese equities advanced over the third quarter, aided by gains in the financials and materials sectors. Information technology (IT) stocks started the quarter on a positive note, as strength in semiconductor companies and healthy corporate earnings lifted certain Apple supply chain companies. However, sentiment weakened in September amid renewed worries over slower demand for iPhones and concerns over a correction in prices of memory chips. Escalating trade tensions between the US and China also weighed on sentiment towards IT companies. The tariffed dispute is likely to add uncertainty on Taiwanese IT exports to both these key trading partners. In addition, a spate of negative headlines led to a continued sell-off in the IT sector, driving down valuations to attractive levels in some cases. On the economic front, robust exports, resilient private consumption and government spending resulted in better-than-expected GDP for the second quarter. Export orders continued to accelerate in July and August, due to solid demand for electronic gadgets despite trade war tensions. Against this backdrop, global credit rating agency Standard and Poor's raised Taiwan's economic growth forecast for 2018. Meanwhile, the manufacturing Purchasing Managers' Index (PMI) fell to a nearly two year low in September, due to declines in new orders and output.

## Fund Performance

The fund performed in line with the index over the quarter. Selected electronic equipment manufacturers and financial stocks boosted performance. Conversely, certain IT holdings held back returns.

## Conviction financials enhanced gains

Among banks, encouraging earnings lifted positions in E-Sun Financial Holdings and CTBC Financial Holding. While robust growth in fee income and cost controls aided the former, the latter's earnings reflected healthy loan growth and robust expansion in net interest margins.

## Global leaders among key contributors

Advantech, which is a global leader in industrial computers, gained market share driven by its diversified production base. A significant exposure to US and Europe supported its healthy order visibility and allowed it to maintain its pricing power. The lack of exposure to component manufacturers Yageo and Walsin Technology boosted relative performance. The allocation to the global semiconductor foundry leader Taiwan Semiconductor Manufacturing added value, as its key US-based rival GlobalFoundry announced its exit from the leading next-generation 7nm semiconductor segment. However, this was offset by the weakness in analogue integrated circuit (IC) manufacturer Silergy. A shortage of components and uncertainties over the trade war between the US and China weighed on its quarterly profits. Concerns over weak smartphone demand in China and intensifying competition from Qualcomm held back the holding in semiconductor manufacturer MediaTek.

## Fund Positioning

I favour companies with a high return profile and growth execution capability.

## New industrials-led holdings

I bought a holding in Evergreen Marine Corporation, a container transportation and shipping company. It is expected to be a beneficiary of rising freight rates amid a favourable demand-supply balance and attractive valuations. I also bought a new holding in Sinbon Electronics, which sells electrical cables, connectors and assemblies for industrial applications. The company has significant exposure to green energy, medical applications and electric vehicles, and enjoys a stable cost structure and healthy earnings visibility.

## Favour companies with solid market share gains

The exposure to Silergy was increased as it continues to gain market share from global players, supported by its superior technological capabilities, robust cost structure and differentiated business model. Taiwan Semiconductor Manufacturing remains a key holding in the portfolio. It enjoys a dominant position in wafer production for a host of next-generation applications such as artificial intelligence, the Internet of Things and automotive chips.

## Retained conviction in banks and insurance service providers

I continue to favour E-Sun Financial Holdings and CTBC Financial Holding for their strong consumer franchises. The former also enjoys strong execution, a sound capital structure and superior asset quality. The exposure to Mega Financial Holdings was increased as it is likely to be a beneficiary of rising US interest rates, given its strong US dollar related loan business.

## 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 (%) 0.49

## Position Contribution (%)

3 months

	Average Relative Weight	Relative Performance Contribution		Average Relative Weight	Relative Performance Contribution
<b>TOP CONTRIBUTORS</b>			<b>TOP DETRACTORS</b>		
YAGEO CORP	-1.3	0.91	SILERGY CORP	1.9	-0.60
E SUN FINL HLDGS CO LTD	4.3	0.50	LARGAN PRECISION CO LTD	2.5	-0.38
WALSIN TECHNOLOGY CORP LTD	-0.7	0.48	MEDIATEK INC	1.7	-0.34
CTBC FINL HLDG CO LTD	3.6	0.24	FORMOSA PETROCHEMICAL CORP	-1.1	-0.25
TAIWAN SEMICONDUCTR MFG CO LTD	1.9	0.24	GLOBALWAFERS CO LTD	0.5	-0.24
MACRONIX INTL CO LTD	-0.5	0.23	WPG HOLDING CO LTD	1.7	-0.18
ADVANTECH CO LTD	1.5	0.23	POYA CO LTD	0.9	-0.18
WIN SEMICONDUCTORS CORP	-0.4	0.22	CHINA STEEL CORP	-2.2	-0.18
NANYA TECHNOLOGY CORP	-0.5	0.21	YUANTA FINL HOLDING CO LTD	-1.1	-0.17
DELTA ELECTRONICS INC	0.9	0.19	FAR EASTERN TEXTILE LTD	-0.8	-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

## CONTRIBUTIONS TO RELATIVE RETURN

	Average Relative Weight	Security Selection	Sector/ Industry Selection	Total Relative Contribution
<b>GICS Sector</b>				
Information Technology	-2.9	0.87	0.18	1.06
Consumer Staples	3.0	0.11	0.16	0.27
Health Care	-0.3	0.00	0.17	0.17
Communication Services	-1.4	0.04	-0.06	-0.01
Financials	2.4	-0.03	0.00	-0.03
Real Estate	-0.5	0.00	-0.04	-0.04
Materials	-3.7	0.23	-0.35	-0.12
Industrials	0.5	-0.12	-0.09	-0.21
Consumer Discretionary	-1.5	-0.22	-0.03	-0.25
Energy	-1.1	0.00	-0.25	-0.25
<b>Total Primary Assets</b>	<b>-5.4</b>	<b>0.88</b>	<b>-0.30</b>	<b>0.58</b>
Other*	5.4			-0.08
<b>TOTAL</b>	<b>0.0</b>			<b>0.49</b>

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

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