

PORTFOLIO SELECTOR MODERATE GROWTH FUND A-EURO

31 MARCH 2016

Portfolio manager: Eugene Philalithis, James Bateman

Approach and Style

Performance over quarter in EUR (%)

Fund	-1.5
Market index	-0.7

60% The BofA ML Euro Large Cap Index; 20% MSCI EUROPE (N); 20% MSCI WORLD (N)

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.

The fund is managed using a team approach, aiming to add value relative to a composite index through allocation selection and asset class selection. The composite index is a blend of market indices representing the equities and bonds. Relative performance will be driven primarily by allocation selection and to a lesser extent by asset class selection. Allocation selection is a research-driven process where we filter managers based on qualitative and quantitative criteria. Qualitative analysis focuses on understanding how the investment process works, considering factors such as investment philosophy, stock selection process, portfolio construction and risk controls. Quantitative analysis examines where a fund's performance comes from, measuring historical performance factors and conducting holdings-based analysis. Asset class selection is determined using a top-down approach based on proprietary quantitative models that link the performance of the asset classes to the phases of the economic cycle, combined with qualitative inputs from asset class experts in the Asset Allocation Group.

Market Environment

Global equity markets were volatile, but ended the quarter lower in euro terms. In the first half of the period, equities witnessed a sell-off amid renewed concerns over Chinese growth, its negative impact on the global economy and continued weakness in crude oil prices. Markets partially recovered losses in the second half of the quarter, as sentiment was boosted by additional stimulus measures announced by central banks in Europe and China. The US Federal Reserve's (Fed) cautious stance on further interest rate increases was also well received. A rebound in oil and metal prices further supported sentiment. Bonds outperformed equities over the quarter. In Europe, government bonds outperformed corporate bonds. Volatility remained elevated as falling oil prices and concerns over European financials weighed on investor sentiment in the first half of the quarter. Core government bonds rallied as a result, while credit spreads widened. In March, however, a fresh round of monetary easing from European Central Bank (ECB) shored up investors' risk appetite. These measures were more aggressive than expected and caused a reversal in risk-sentiment, with credit markets bouncing back from February lows and investment grade bonds outperforming high-yield bonds.

Fund Performance

The fund underperformed the index over the quarter, largely due to the performance of its fixed income segment.

Fixed income holdings weighed on performance

Strategy selection in the fixed income segment was the largest detractor from returns. In particular, holdings that were less sensitive to interest rate changes weighed on performance. The long credit beta position in the first half of the period weakened returns as credit spreads widened amid the global risk-off sentiment. The overweight exposure to financials also disappointed as concerns around earnings and capital levels in the sector escalated.

North American holdings detracted from returns

Security selection by underlying US managers in the financials, health care, information technology and materials sectors held back performance. The underweight allocation to utilities stocks also detracted from relative returns, as did the exposure to Canadian equities.

European equities added value

Security selection by the underlying European managers in telecommunication services, energy and consumer discretionary stocks supported returns. The underweight allocation to the financials sector also enhanced relative gains.

Fund Positioning

The fund is managed using a team-based approach and aims to add value over the index, mainly via strategy selection (allocation selection) and, to a lesser extent, through tactical asset allocation (asset class selection). We select underlying strategies by building asset class specific model portfolios, while our tactical allocation to asset classes is determined using proprietary models and qualitative inputs.

Continue to favour equities

We deepened our underweight allocation to bonds over the quarter while adding to our overweight exposure to equities. Global growth remains positive, though it is relatively subdued. However, the recent recovery in sentiment should allow positive economic fundamentals to drive improved growth going forward. In addition, the major central banks' supportive monetary policies given low inflation levels and the US Fed's cautious stance on further interest rate increases should be supportive for equity markets.

Underlying manager mix was modified

Within the equity segment, we increased the exposure to selected underlying European managers and to US value stocks. Although eurozone data has weakened, the recovery in the region remains intact. Additional ECB easing is expected to boost growth and corporate earnings in the region.

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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 table are before the impact of charges. If charges are applied, their effect is captured in the "Other" category in the table and will also be reflected in the fund return.

Currency of attribution Euro (EUR)

Three month relative return (%) -0.77

Contribution Summary (% TNA)

3 months

CONTRIBUTIONS TO RELATIVE RETURN

Sub-Asset Class	Allocation Selection	Asset Class Selection	Total Relative Contribution
European Equity	0.06	0.05	0.11
Pacific ex Japan Equity	0.00	0.00	0.00
Cash and Other Assets	0.00	0.00	0.00
Japan Equity	0.03	-0.04	-0.01
North America Equity	-0.08	0.01	-0.07
Global Fixed Income	-0.40	0.03	-0.36

Uninvested Cash and Other -0.45

Total **-0.77**

Allocation Selection refers to the manager's choice of underlying pools.

Asset Class Selection refers to the manager's decisions regarding asset classes.

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