

Portfolio manager: Eugene Philalithis, Nick Peters

Performance for 12 month periods in EUR (%)

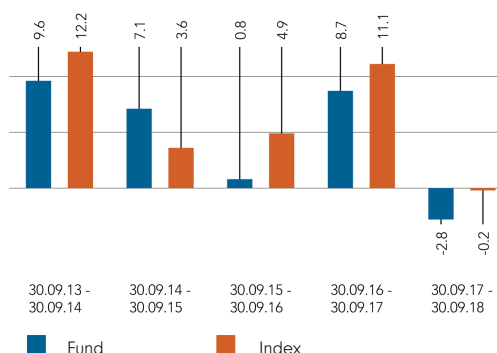
Performance over quarter in EUR (%)

Fund	-0.1
Market index	-0.2

59% MSCI EMU (N); 41% Citigroup EMU Government Bond Index

Market index is for comparative purposes only.

Source of fund performance is Fidelity. Basis: nav-nav with 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 ended a volatile quarter in positive territory. Markets were aided by easing trade tensions between the US and Europe, and strong corporate earnings. The European Central Bank's continued accommodative monetary policy stance also supported equities. It left key interest rates unchanged and announced that it expects to completely phase-out its quantitative easing programme by the end of 2018. There were intermittent periods of volatility, primarily due to continued concerns over a trade war between the US and China, as well as the banking crisis in Turkey. At a sector level, health care and energy were among the key performers, while real estate and communication services declined the most. Within fixed income, the focus remained on Italy and on the ongoing Brexit negotiations, where little progress was achieved. Risk sentiment was impacted towards the end of the quarter as the Italian government announcement that it would maintain a deficit target at 2.4%, well above market expectations. As a result, European bonds posted mixed returns, with corporate bonds outperforming core government bonds.

Fund Performance

The fund outperformed the index over the quarter, mainly due to strategy selection within the fixed income segment. The tactical asset allocation decision to be overweight in equities and underweight in bonds also contributed to returns.

European fixed income strategies added value

Bonds underperformed equities over the quarter. As a result, the underweight position in fixed income contributed to relative performance. Additionally, all underlying bond strategies supported relative returns. Investor risk sentiment improved as trade tensions between the US and Europe eased. As a result, the exposure to riskier credit instruments added value. Concerns relating to the US proposal to impose automobile tariffs on European imports abated. As a result, our European automobile holdings rallied.

Equities detracted from relative performance

The underlying French and Italian equity strategies weighed on relative returns. In France, the underweight allocation to and security selection within industrials detracted from performance. The exposure to Italy also weighed on returns as the country's equity market was sold off in August amid concerns about Italy's deficit situation. On a positive note, the underlying eurozone equity strategy added value, driven by strong security selection in the financials and consumer discretionary sectors.

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.

Changes to the equity sleeve of the portfolio

We diversified our exposure to eurozone equities and leveraged the fund's ability to use country strategies. This will help to increase the fund's flexibility; diversify our style and manager exposure to equities; and improve alpha consistency over time. As part of these enhancements, we will also marginally increase the fund's exposure to passive and smart-beta strategies. We will continue to hold around a third of our equity allocation in an existing European equity strategy; the remaining allocation will be split across different Fidelity country fund managers.

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. There is a risk that the issuers of bonds may not be able to repay the money they have borrowed or make interest payments. When interest rates rise, bonds may fall in value. Rising interest rates may cause the value of your investment to fall.

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 (%)	0.16

Contribution Summary (% TNA)3 months

CONTRIBUTIONS TO RELATIVE RETURN			
Sub-Asset Class	Allocation Selection	Asset Class Selection	Total Relative Contribution
Global Fixed Income	0.50	0.02	0.52
Cash & Other Assets	-0.01	0.00	-0.01
Europe ex UK Equities	-0.03	0.00	-0.02
Uninvested Cash and Other			-0.32
Total			0.16

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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