

GLOBAL HEALTH CARE FUND A-EURO

30 SEPTEMBER 2018

Portfolio manager: Alex Gold

Performance for 12 month periods in EUR (%)

Performance over quarter in EUR (%)

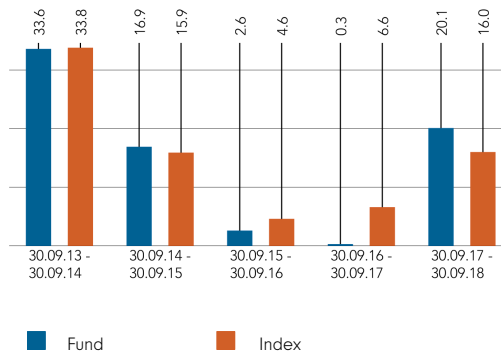
Fund 10.0

Market index 11.4

MSCI AC World Health Care (N)

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

Global equities generated positive returns over the quarter. Encouraging corporate earnings and easing trade tensions between the US and Europe supported sentiment. However, continued US-China trade tensions and concerns around emerging markets led to elevated volatility. At a regional level, US equities rallied on strong economic growth and robust earnings data. On the monetary policy front, the US Federal Reserve (Fed) raised interest rates for the third time this year in September. Moreover, the central bank removed the term "accommodative" from its policy statement, which marked a rhetorical shift in its monetary policy outlook. Markets in the eurozone were aided by easing trade tensions between the US and Europe, and strong corporate earnings. The European Central Bank's (ECB) continued accommodative monetary policy stance also supported equities. However, banking stocks were weighed down by concerns over exposure to emerging markets as well as worries over the Italian budget. UK equities declined, as investor sentiment was weighed down by uncertainty related to Brexit negotiations. Hopes for a softer Brexit suffered a setback as there was no breakthrough in talks between the UK and European Union (EU) at their summit meeting in Austria. The Japanese market gained amid a weaker yen against the US dollar and improving corporate profits. Prime Minister Shinzo Abe won a third term as President of the Liberal Democratic Party and later agreed to enter into bilateral trade talks with the US. This precluded the imposition of additional tariffs on automobile imports from Japan. Elsewhere, emerging markets lagged developed markets as the strong US dollar, trade frictions, and the economic crises in Turkey and Argentina weighed on investor sentiment. At a sector level, health care, information technology (IT) and industrials were the key gainers. Within the health care sector, life sciences tools and services, and health care technology stocks were among the leading gainers.

Fund Performance

The fund generated strong positive returns but underperformed the index over the quarter. Weak security selection in the biotechnology sub-sector weighed on relative returns.

Strong results boosted key positions

Biotechnology equipment supplier Sartorius Stedim Biotech's quarterly results beat expectations, benefiting from robust order intake. Switzerland-based multinational chemicals and biotechnology company Lonza gained on robust quarterly results, led by upbeat earnings before interest, tax, depreciation and amortisation (EBITDA). The company raised its 2018 revenue growth guidance to the mid-to-high single digit range. Elsewhere, Boston Scientific rose on solid first quarter results, led by strong sales and higher profits. Medical devices maker Abbott Laboratories posted upbeat second quarter results, led by strong organic growth in the medical devices segment and robust international revenue growth.

Health care equipment & supplies stocks detracted

Denmark-based Coloplast's third quarter results missed expectations. Its sales growth remained robust, but lower margins weighed on investor sentiment. Shares in Stryker and Smith & Nephew fell on profit taking after they posted strong quarterly results. Fisher & Paykel Healthcare held back returns as the company cut its fiscal 2019 earnings guidance to accommodate higher expected costs.

CSL disappointed

Australian biopharmaceutical company CSL witnessed profit taking following recent gains. The company is a long-term earnings compounder with a high cash generating business in the highly concentrated blood plasma market.

Fund Positioning

I firmly believe that the market's ability to forecast earnings is limited, which makes the evaluation of historical performance important. I focus on quality companies with high earnings visibility, as well as sustainable returns on invested capital. Given the sector's emphasis on high returns via innovation, I focus on management's allocation of capital and alignment of remuneration incentives.

Remain selective in pharmaceuticals and biotechnology

I maintained an underweight stance in pharmaceuticals and remain selectively positioned in the sector. Some of the key active positions include speciality pharmaceuticals holdings such as Zoetis and Dechra Pharmaceuticals. Zoetis is a leading animal health company with a large portfolio of medicines and vaccines for livestock and pets. Dechra is an international pharmaceutical products company focussed on the veterinary market. Elsewhere, CSL and Gilead Sciences are active holdings within the biopharmaceuticals sector, where the fund has an underweight position.

Increased overweight in health care equipment and supplies industry

The portfolio has transitioned towards higher quality companies with greater visibility and sustainability of returns. Within the sub-sector, I bought a new holding in Japan-based health care company Sysmex, which is a leading manufacturer of haematology-related equipment and chemicals. The company enjoys strong pricing power, which helps it to maintain healthy margins. Other key active holdings include Abbott Laboratories, Boston Scientific and Coloplast. Meanwhile, positions in Agilent Technologies and Grifols were sold.

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 targets specific industries. This can make it more volatile than funds with more diversified portfolios.

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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 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	Euro (EUR)
Three month relative return (%)	-0.89

Position Contribution (%)

3 months

	Average Relative Weight	Relative Performance Contribution		Average Relative Weight	Relative Performance Contribution
TOP CONTRIBUTORS			TOP DETRACTORS		
BAYER AG	-1.7	0.60	DECHRA PHARMACEUTICALS PLC	1.6	-0.56
SARTORIUS STEDIM BIOTECH	2.5	0.46	CSL LTD	3.7	-0.32
BOSTON SCIENTIFIC CORP	3.4	0.28	COLOPLAST AS	2.6	-0.23
LONZA GRP AG	1.7	0.27	SMITH & NEPHEW PLC	1.0	-0.18
ABBOTT LABORATORIES	3.8	0.27	STRYKER CORP	2.0	-0.17
GLAXOSMITHKLINE PLC	-1.9	0.21	FISHER & PAYKEL HEALTHCARE CORP	1.2	-0.16
ABBVIE INC	-1.7	0.15	CVS HEALTH CORP	-1.4	-0.16
FRESENIUS SE & CO KGAA	-0.6	0.13	HCA HEALTHCARE INC	-0.6	-0.14
CSPC PHARMACEUTICAL GROUP LTD	-0.2	0.11	HERON THERAPEUTICS INC	0.4	-0.14
TEVA PHARMACEUTICAL INDS LTD	-0.4	0.10	JOHNSON & JOHNSON	-2.1	-0.13

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				
GICS Sector	Average Relative Weight	Security Selection	Sector/ Industry Selection	Total Relative Contribution
Health Care	-2.7	-1.13	0.54	-0.59
Total Primary Assets	-2.7	-1.13	0.54	-0.59
Other*	2.7			-0.30
TOTAL	0.0			-0.89

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

Country Contribution (%)

3 months

CONTRIBUTIONS TO RELATIVE RETURN				
	Average Relative Weight	Security Selection	Country Selection	Total Relative Contribution
Germany	-0.9	0.39	0.22	0.61
France	0.8	0.51	-0.02	0.49
China	-1.1	0.00	0.36	0.36
Switzerland	-1.2	0.22	-0.08	0.14
Israel	-0.4	0.00	0.10	0.10
New Zealand	1.2	-0.08	-0.08	-0.16
Denmark	2.6	0.04	-0.24	-0.20
Australia	4.2	-0.01	-0.37	-0.38
United Kingdom	0.1	-0.61	-0.01	-0.62
United States	-1.3	-1.10	-0.03	-1.13
Other Countries	-6.7	-0.03	0.22	0.19
Total Primary Assets	-2.7	-0.68	0.08	-0.59
Other*	2.7			-0.30
TOTAL	0.0			-0.89

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