

Portfolio manager: Jing Ning

Approach and Style

Performance over month in USD (%)

Fund	-3.0
Market index	-3.6

MSCI China Capped 10% (N)

Jing has a value investment style. Her bottom-up approach focuses on determining the intrinsic value of a company rather than themes. Jing's starting point is to identify intrinsic value at market extremes and her valuation approach is central to the process. She searches for quality business models / management teams that are out of favour due to short-term macro factors. This, combined with her long-term investment horizon gives her the ability to identify stocks that are undervalued, but should be beneficiaries of China's structural growth dynamics. Jing will put management on her radar screen for a couple of months and will meet with several members of the senior management team before investing. She also strictly evaluates a company's financial report.

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 USD, net of fees. Other share classes may be available. Please refer to the prospectus for more details.

Market Environment

Chinese equities fell as the market regulator launched investigations into several brokerages for suspected violations of securities rules. Investors also feared that initial public offerings (IPOs) could divert liquidity from the market as the regulator lifted the ban on IPOs. Economic data such as manufacturing activity, exports, new lending and industrial profits was weak. On the policy front, the People's Bank of China lowered interest rates on loans made under its standard lending facility, a policy tool used to inject cash into the banking system, in an effort to spur growth. Meanwhile, the International Monetary Fund agreed to add the Chinese renminbi to its reserve currency basket from October 2016, acknowledging the progress made by Chinese policymakers in reforming monetary and financial systems. Despite the overall decline in the market, information technology stocks gained due to positive growth outlook, supported by structural growth in access to technology and growing usage. Brokerage firms also gained thanks to the resumption of IPOs. Health care and real estate stocks also edged higher. In particular, the latter was supported by positive newsflow and expectations for further policy easing, stronger sales growth reported by selected companies, and more evidence of improving fundamentals in the sector. In contrast, utilities providers declined sharply, partly as a result of reports that wind power tariff could be reduced significantly in view of a supply glut. Materials were the worst performing sector as they tracked the fall in commodity prices and battled overcapacity.

Fund Performance

The fund outperformed the index in November due to positive security selection. The fall in Chinese equities was largely a result of the regulator lifting the ban of initial public offerings (IPO's), which could potentially divert liquidity from the market, and initiated investigation against suspected violators of securities rules. However, bottom up stock selection continued to add value as stock specific factors supported companies with high quality management, beneficiaries of favourable industry dynamics, and positive earnings outlook. An overweight position in real estate manager China Vanke buoyed returns. The company reported positive sales growth and active land acquisition for new developments, and issued a positive outlook supported by easy housing and monetary policies. The position in cement producer West China Cement surged as Anhui Conch acquired the company at a premium. Anhui expects to gain from regional consolidation and increased capacity following the acquisition. Elsewhere, education services provider New Oriental Education & Technology Group bolstered performance as China eased its one-child policy. Its shares were also supported by its strong overseas test preparation franchise, high profit margins and potential earnings upside driven by its online business. The high-conviction stake in Gree Electric Appliances was also a leading contributor to returns. The air-conditioning producer delivered positive earnings, supported by cost controls and higher interest income. The holding in Mindray Medical International also added value as management appeared likely to go ahead with its plans to buy out the company.

Fund Positioning

The manager has a value and contrarian style that is reflected in the fund's positioning. Her bottom-up approach focuses on determining the intrinsic value of a company rather than themes. We could see two important factors in 2016: lower volatility and increased importance of stock picking. Lower volatility will be a result of less market interference and investors being more cautious when trading both in and out of China. Stock picking will become more important if the macro environment remains benign and we see de-capacity in industries as this will highlight clear winners and losers. The manager is sceptical about overconfidence in 'new' China, but holds an overweight position in the consumer discretionary sector. This is largely driven by deep value large-cap stocks in the A-share market. For example, Gree Electrical Appliances, China's largest air conditioner manufacturer, has strong structural growth demand driven by increasing urbanisation, low penetration outside of major cities and a consumer upgrading cycle. The fund is also overweight high quality property developers with exposure to tier-one and tier-two cities. The policy environment is supportive for developers and transaction volumes are increasing as supply and demand rebalances. China Overseas Land and Investment is well positioned due to having significant land bank exposure in higher tiered cities and excellent cost control. The portfolio is overweight large-cap energy. From a top-down perspective, there is limited downside to the oil price over the medium term. Companies like CNOOC are a long way in to their capital expenditure cycle and have had to be disciplined with costs in a low oil price environment. Consequently, any improvement in oil prices should result in a pick-up in cash flow.

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 ten individual sectors/industries or countries. For funds investing in more than ten 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)
One month relative return (%)	0.76

Position Contribution (%)

1 month

TOP CONTRIBUTORS	Average Relative Weight	Relative Performance Contribution	TOP DETRACTORS	Average Relative Weight	Relative Performance Contribution
GREE ELEC APPL INC	2.7	0.20	TENCENT HLDGS LTD	-3.6	-0.30
CHINA VANKE CO LTD	1.6	0.20	LENOVO GROUP LTD	-0.8	-0.13
NEW ORIENTAL ED & TECH GRP INC	1.4	0.15	CHINA PETROLEUM & CHEM CORP	1.1	-0.12
MINDRAY MED INTL LTD	1.0	0.12	TINGYI CAYMAN IS HLDG CORP	0.8	-0.10
WEST CHINA CEM LTD	0.6	0.11	CHINA MERCHANTS BANK CO LTD	1.4	-0.08
ALIBABA GROUP HOLDING LTD	2.1	0.10	CHINA RES POWER HLDGS CO LTD	0.5	-0.08
BANK CHINA LTD	-3.6	0.10	AAC TECHNOLOGIES HOLDINGS INC	-0.6	-0.08
SAIC MOTOR CORPORATION LTD	1.1	0.10	ANHUI CONCH CEMENT CO LTD	1.4	-0.08
ZHUZHOU CSR TIMES ELEC CO LTD	1.8	0.10	SINO BIOPHARMACEUTICAL LTD	-0.5	-0.08
CHINA COMMUNICATIONS CONSTR CO	-0.7	0.10	CHINA SHANSHUI CEMENT GRP LTD	0.2	-0.07

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 (%)

1 month

Country Contribution (%)

1 month

CONTRIBUTIONS TO RELATIVE RETURN					CONTRIBUTIONS TO RELATIVE RETURN				
GICS Sector	Average Relative Weight	Security Selection	Sector/ Industry Selection	Total Relative Contribution		Average Relative Weight	Security Selection	Country Selection	Total Relative Contribution
Financials	-3.6	0.39	0.15	0.54	China	-3.3	0.75	0.00	0.75
Consumer Discretionary	10.3	0.52	-0.10	0.42	Hong Kong	2.5	-0.02	0.00	-0.02
Industrials	-0.8	0.04	0.12	0.17					
Utilities	-3.1	-0.04	0.16	0.11					
Telecommunication Services	-7.2	0.00	0.07	0.08					
Consumer Staples	0.8	0.13	-0.11	0.03					
Health Care	-0.9	0.09	-0.07	0.02					
Materials	3.6	0.25	-0.32	-0.08					
Energy	2.0	-0.08	-0.06	-0.14					
Information Technology	-2.0	-0.18	-0.23	-0.41					
Total Primary Assets	-0.9	1.13	-0.40	0.73	Total Primary Assets	-0.9	0.73	0.00	0.73
Other*	0.9			0.03	Other*	0.9			0.03
TOTAL	0.0			0.76	TOTAL	0.0			0.76

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

CHINA FOCUS FUND A-USD

30 NOVEMBER 2015

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