

## GLOBAL ENHANCED INCOME FUND W INCOME SHARES

30 JUNE 2019

Portfolio manager: Daniel Roberts, David Jehan

## Performance over quarter in GBP (%)

Fund 8.5

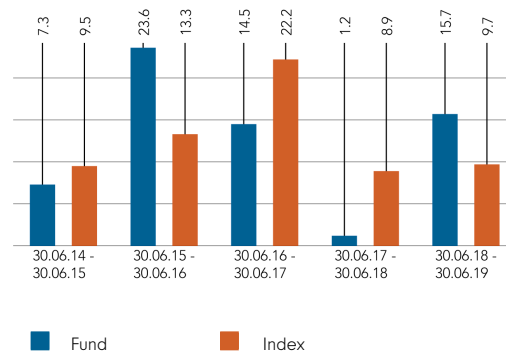
Market index 6.1

MSCI AC WORLD (N)

Market index is for comparative purposes only.

Source of fund performance is Fidelity. Basis: bid-bid with income reinvested, in GBP, net of fees. Other share classes may be available. Please refer to the prospectus for more details.

## Performance for 12 month periods in GBP (%)



## Market Environment

Global equities advanced over a volatile second quarter as enthusiasm about progress on trade negotiations between the US and China gave way to concerns about a re-escalation in tensions. Sentiment was further weakened after the US announced trade restrictions on Chinese telecommunications equipment maker Huawei. A growing inclination on the part of central banks to ease monetary conditions offset some of the pressure on markets. Prospects for progress on international trade relations at the G20 summit, which kicked off on the last business day of the quarter, also supported stocks. At a regional level, US equities ended higher as investors shrugged off concerns over weak economic data and the potential broadening of US tariff actions, and honed-in on strong first quarter GDP growth and the US Federal Reserve's cautious policy stance. Equities in Europe also generated positive returns, driven by stronger than expected economic growth in the first quarter and expectations of monetary easing from the European Central Bank (ECB). Pro-European Union (EU) parties held ground across the continent in parliamentary elections, which further bolstered investor sentiment. UK markets rose as EU leaders agreed to a six-month extension to Brexit. The Japanese market fell as the yen strengthened against the US dollar, while the Bank of Japan kept its monetary policy steady and clarified its intention to keep interest rates very low for a prolonged period. Emerging markets edged lower during the quarter. Weak Chinese economic data pointed to a wider slowdown in the economy due to the trade dispute, which hurt equities. At a sector level, financials and information technology outperformed the broader market, while lower crude oil prices weighed on energy stocks.

## Fund Performance

The fund recorded positive returns and outperformed the index during a volatile quarter, as our focus on capital preservation, valuation discipline and downside protection proved beneficial. Strong security selection in the industrials and financials sectors also contributed to relative performance.

## Position in Deutsche Boerse added value

The German exchange group was the key contributor to performance. Its shares rallied after the company reported strong first-quarter results, notwithstanding challenging macroeconomic conditions. Its earnings were primarily supported by growth in Clearstream and cost-discipline, despite higher spending on investment and technology.

## Selected industrials holdings contributed

Holdings in Schneider Electric and publishing company RELX supported returns. Shares in the former advanced after the French engineering company reported robust first-quarter results, mainly driven by strong organic growth in its energy management division. The company reiterated its guidance for 2019 and said that it plans to increase investments in research & development and marketing to meet its long-term growth goals. The latter rose after it delivered a trading update that was in-line with analysts' expectations.

## Key detractors

China Mobile declined on market expectations that the company will have to spend aggressively on its fifth-generation (5G) rollout. However, we do not believe that the company will require a large increase in capital expenditure. Elsewhere, the position in Japan Tobacco fell amid ongoing fears about increasing regulation on tobacco products in the US.

## Fund Positioning

Higher quality stocks within financials and stable and income-generating stocks in the technology space are well represented, while the fund is underweight in more cyclical areas such as materials and energy.

## Covered call strategy

Global equity markets ended slightly higher, having traded lower for much of the period. In aggregate, valuation consideration allowed our overwriting activity to remain at the upper end of the range we have operated in recent years. The lower interest outlook led to strong performance in many high-quality income stocks in the staples sector, allowing us to increase cover in Procter & Gamble and Colgate. We maintained a high level of cover in Wolters Kluwer and RELX. Health care remained a core component of our overwrite income during the quarter. We were active in Roche, Pfizer and GlaxoSmithKline, and at a slightly lower volume on Johnson & Johnson. We continue to drill down to the stock rather than the sector level to identify the best opportunities. For example, within our telecommunications holdings, Nippon Telegraph reached six-month highs, allowing us to re-start overwriting after a long pause. However, we continue to wait on peer KDDI. In contrast, China Mobile's share price performance disappointed and as we sold no new option, we moved from a fully covered to uncovered position. Similarly, there was a spectrum of overwriting activity within our technology holdings, ranging from maintaining a high cover in Cisco; cautiously re-starting to build cover levels in MAXIM; and allowing levels to first rise and then fall in Taiwan Semiconductors following its volatile performance.

## 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. The use of derivatives to enhance income may reduce growth potential in certain market conditions.

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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	UK Sterling (GBP)
Three month return (%)	8.52

## Position Contribution (%)

3 months

TOP 10 POSITIONS RANKED BY  
ABSOLUTE PERFORMANCE  
CONTRIBUTION

	Average Fund Weight	Performance Contribution
DEUTSCHE BOERSE AG	2.7	0.54
US BANCORP DEL	3.4	0.44
RELX PLC	1.9	0.41
INFORMA PLC	2.9	0.40
SCHNEIDER ELEC SA	1.6	0.36
ROYAL DUTCH SHELL PLC	2.9	0.35
COLGATE-PALMOLIVE CO	2.5	0.33
WOLTERS KLUWER NV	2.1	0.33
ZURICH INS GROUP LTD	1.9	0.32
IBERDROLA SA	1.4	0.30

BOTTOM 10 POSITIONS RANKED BY  
ABSOLUTE PERFORMANCE  
CONTRIBUTION

	Average Fund Weight	Performance Contribution
CHINA MOBILE LTD	1.6	-0.10
NOVARTIS AG	0.2	-0.09
JAPAN TOBACCO INC	1.3	-0.08
ASTELLAS PHARMA INC	1.4	-0.02
RED ELECTRICA CORPORACION SA	0.1	-0.02
PPL CORPORATION	0.1	0.00
SUNCORP GROUP LTD	1.4	0.01
ASSA ABLOY AB	0.1	0.01
GLAXOSMITHKLINE PLC	1.0	0.03
NATIONAL GRID PLC	1.0	0.03

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

## Country Contribution (%)

3 months

## RANKED BY ABSOLUTE PERFORMANCE CONTRIBUTION

GICS Sector	Average Fund Weight	Performance Contribution
Financials	16.9	2.23
Industrials	8.6	1.69
Information Technology	10.2	1.03
Consumer Staples	9.0	0.89
Health Care	11.7	0.81
Communication Services	7.4	0.78
Utilities	4.5	0.47
Energy	2.9	0.35
Materials	1.7	0.21
Consumer Discretionary	1.9	0.14
Real Estate	0.0	0.00
<b>Total Primary Assets</b>	<b>74.8</b>	<b>8.60</b>
Other*	25.2	-0.09
<b>TOTAL</b>	<b>100.0</b>	<b>8.52</b>

## RANKED BY ABSOLUTE PERFORMANCE CONTRIBUTION

	Average Relative Weight	Total Relative Contribution
United States	23.1	2.70
United Kingdom	14.9	1.80
Germany	4.6	0.84
France	4.9	0.73
Spain	3.5	0.59
South Africa	0.0	0.00
Thailand	0.0	0.00
Turkey	0.0	0.00
United Arab Emirates	0.0	0.00
China	1.6	-0.10
Other Countries	22.3	2.06
<b>Total Primary Assets</b>	<b>74.8</b>	<b>8.60</b>
Other*	25.2	-0.09
<b>TOTAL</b>	<b>100.0</b>	<b>8.52</b>

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

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