

# OPEN WORLD FUND W - ACC SHARES

30 SEPTEMBER 2019

Portfolio manager: Bill McQuaker, Ayesha Akbar

## Performance over quarter in GBP (%)

Fund 2.5

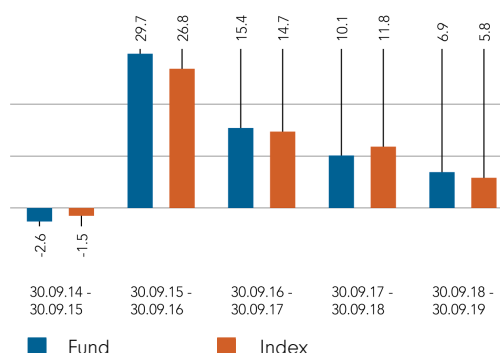
Market index 2.4

IA Global

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 performed positively over the quarter, supported by the accommodative monetary policy stance of major developed market central banks. However, global economic concerns, trade issues, uncertainty over Brexit and geopolitical tensions in the Middle East kept markets volatile. Notably, the US Federal Reserve reduced interest rates twice over the quarter amid concerns about slowing global growth and the trade war with China. The European Central Bank unveiled stimulus measures to support growth and inflation. The Chinese central bank cut the reserve requirement ratio to boost liquidity and introduced a key interest rate reform to reduce real borrowing costs. Central banks in Japan and England also indicated the possibility of rate cuts. Against this backdrop, Japanese and US equities were the leading performers, while Pacific ex Japan stocks lagged the broader market. Emerging markets underperformed developed markets. Returns in sterling terms were supported by its depreciation against the US dollar and the yen, but undermined by its appreciation against the euro.

## Fund Performance

The fund generated positive absolute returns over the quarter, and outperformed the average fund in its investment association (IA) peer group. Within growth assets, most of the regional equity exposures contributed to performance, except emerging markets and Pacific ex-Japan.

### US equity exposure was a key contributor

The US market advanced significantly over the quarter, and most of the underlying US strategies supported returns. The underlying managers' holdings in the communication services and consumer staples sectors were the key contributors to performance. For example, positions in Alphabet and PepsiCo within the communication services and consumer staples sectors, respectively, enhanced gains. However, a short position in the PHLX Semiconductor sector index hampered performance.

### Japan and UK equities buoyed returns

Within Japan, the underlying managers' holdings in the financials and communication services sectors supported performance. At the stock level, the position in Rohm added value on expectations of a cyclical recovery in the semiconductor sector going into 2020. The stake in component maker Murata Manufacturing also enhanced gains. The company trades at the lower end of its historical valuation range and is well positioned to benefit from the structural growth in automotive and fifth-generation (5G) technologies as cyclical challenges dissipate. Within the UK, the underlying managers' allocation to the health care and consumer discretionary sectors added significant value.

### Hedging assets supported performance

The exposure to gold added value. Elsewhere, the allocation to cash had a negligible impact on performance.

## Fund Positioning

The fund is managed using a team approach. The manager can take a flexible approach to asset allocation, adjusting the exposure in response to unfolding market conditions. The manager also has the ability to invest in both traditional and non-traditional asset classes (such as alternatives). The aim is to achieve a specific level of returns for investors, which captures capital growth while also managing risk in falling or more volatile market environments. Tactical asset allocation and strategy selection are the main drivers of performance.

### Positioned with downside protection

It is important for investors to remember that the US-China trade dispute is a major conflict within the context of a growing international era of protectionism. This conflict may often involve the US, but not always. Brexit and the Korea versus Japan dispute are reminders of this reality. Given this backdrop, our focus remains on protecting investors' capital, rather than being heavily committed to the risk rally. We continue to see defensive assets such as gold as attractive, and focus on downside protection.

### Change in underlying holdings within equity regions

Within the US, we added exposure to an ETF that aims to track the US equity market performance of certain high dividend-yielding securities. We also added to the long position in the IXM Financial Select sector index. Meanwhile, we sold a short position in the S&P 500 Software & Services Select Industry index.

## 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 investment policy of this fund means it invests mainly in other funds or invests mainly in units in collective investment schemes.



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