

AMERICAN SPECIAL SITUATIONS FUND W - ACC SHARES

30 SEPTEMBER 2019

Portfolio manager: Angel Agudo, Ashish Bhardwaj

Performance over quarter in GBP (%)

Fund 0.9

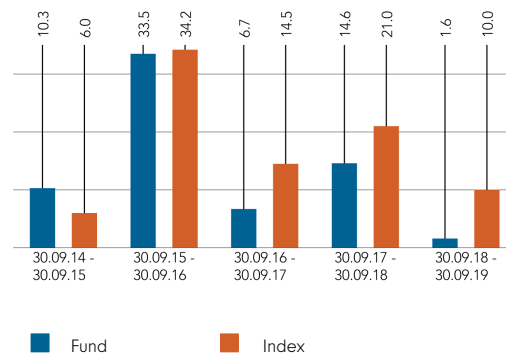
Market index 5.0

S&P 500 Index NUK

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

US markets rose in the third quarter, supported by expectations of progress in US-China trade talks and interest rate cuts by the US Federal Reserve (Fed) in an uncertain economic environment. While concerns over trade frictions dominated investor sentiment, expectations of further negotiations provided a tailwind to stock prices towards the end of the quarter. However, some of these gains were offset by increasing fears about the impeachment inquiry into US President Donald Trump. On the policy front, the Fed cut its benchmark interest rate twice by a total of 0.5 percentage points. The interest rate now ranges between 1.75% and 2.00%. Most sectors generated positive returns, with utilities, consumer staples and information technology among the leading gainers. In terms of style, growth stocks continued to outperformed value names for much of the period, though value stocks rebounded in the first half of September. Large-caps outperformed smaller companies for much of the quarter.

Fund Performance

The fund generated positive returns but underperformed the index over the quarter. Weak security selection in the information technology sector weighed on relative returns. Not holding Apple and Alphabet also hampered relative performance. Encouragingly, strong stock selection within the energy sector added relative value.

Stock specific detractors

Shares in GrubHub, which is one of the leading online marketplaces for restaurant delivery in the US, fell. It posted strong quarterly results with revenue ahead of expectations, but its full-year guidance was largely rangebound. Alexion Pharmaceuticals declined as investors are concerned about the increase in research & development (R&D) expenses next year due to more clinical trials in 2020. Nevertheless, it remains a strong franchise with improved free cash flow conversion and a superior strategic plan executed by its new management team. Elsewhere, the position in SBM Offshore declined although it posted in-line earnings for the first half of 2019.

Key contributors

The holding in Marathon Petroleum advanced. Its multi-year capital allocation strategy, including share buybacks, holds it in good stead. The position in Valvoline gained as it posted upbeat third quarter earnings, led by the strength of its growing quick lube segment. The company is likely to benefit from rising demand for top-end products in newer vehicles, as well as from an ageing vehicle fleet. Elsewhere, the allocation to Wells Fargo added relative value. Not holding Amazon, Netflix and Facebook also aided relative returns.

Fund Positioning

Uncertainty over US-China trade tensions are adding to concerns over a slowdown in global growth. Although earnings growth in the US remains relatively high, it has started to come down from earlier levels, where it was bolstered by corporate tax cuts. Geopolitical headlines and trade policies continue to drive investor sentiment and have an impact on equity market performance. However, a more supportive monetary policy, combined with a benign policy backdrop, indicates that the risk/reward balance for US stocks remains favourable. Against this backdrop, we look for businesses where the recovery potential is under-appreciated by the market, while upholding a value bias investment approach. The fund's sector exposures are purely a result of bottom-up, company-specific stock selection.

Retained overweight in financials and energy

Among financials, we favour the insurance and diversified financial services sub-sectors. Key positions include Willis Towers Watson and Berkshire Hathaway. We increased the overweight exposure to the energy sector. Some key holdings include Chevron and SBM Offshore.

New purchases

During the quarter, we bought a new holding in diversified defence company General Dynamics Corporation. It offers a broad range of products and services in business aviation, combat vehicles, weapon systems, information systems and technologies. We also bought a new position in Marathon Petroleum. It has a strong diversified portfolio and is expected to benefit from synergies from its recent merger with Andeavor.

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 invests in a relatively small number of companies. This can make the fund more volatile than other funds that are more diversified. This fund invests more heavily than others in smaller companies, which can carry a higher risk because their share prices may be more volatile than those of larger companies.

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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 relative return (%) -4.19

Position Contribution (%)

3 months

	Average Relative Weight	Relative Performance Contribution		Average Relative Weight	Relative Performance Contribution
TOP CONTRIBUTORS			TOP DETRACTORS		
AMAZON.COM INC	-3.1	0.33	GRUBHUB INC	1.5	-0.51
MARATHON PETROLEUM CORP	1.1	0.24	FAIRFAX FINANCIAL HLDGS LTD	3.0	-0.45
WELLS FARGO & CO NEW	2.4	0.24	APPLE INC	-3.7	-0.43
VALVOLINE INC	2.1	0.20	ALEXION PHARMACEUTICALS INC	1.3	-0.36
NETFLIX INC	-0.6	0.19	ORACLE CORP	4.9	-0.35
FACEBOOK INC	-1.9	0.18	SBM OFFSHORE NV	1.8	-0.32
PFIZER INC	-0.9	0.18	ALPHABET INC	-2.9	-0.31
CVS HEALTH CORP	1.3	0.15	GENERAL ELECTRIC CO	0.4	-0.26
KROGER CO	0.7	0.14	ANTHEM INC	1.3	-0.25
JOHNSON & JOHNSON	-1.4	0.13	TRIPADVISOR INC	1.1	-0.24

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

	Average Relative Weight	Security Selection	Sector/ Industry Selection	Total Relative Contribution
GICS Sector				
Energy	1.7	0.31	-0.20	0.10
Materials	1.6	-0.03	-0.03	-0.05
Consumer Staples	-1.6	-0.19	0.04	-0.16
Real Estate	-3.2	0.00	-0.18	-0.18
Communication Services	-1.8	-0.12	-0.10	-0.22
Utilities	-0.9	-0.18	-0.06	-0.24
Industrials	-6.8	-0.41	0.06	-0.34
Health Care	0.8	-0.20	-0.15	-0.35
Consumer Discretionary	-2.0	-0.68	0.26	-0.42
Financials	12.4	-0.36	-0.22	-0.58
Information Technology	-2.7	-0.75	-0.76	-1.51
Index / Unclassified	0.0	0.00	0.00	0.00
Total Primary Assets	-2.5	-2.61	-1.35	-3.96
Other*	2.5			-0.24
TOTAL	0.0			-4.19

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

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