

GLOBAL ENHANCED INCOME FUND W INCOME SHARES

31 MARCH 2019

Portfolio manager: Daniel Roberts, David Jehan

Performance for 12 month periods in GBP (%)

Performance over quarter in GBP (%)

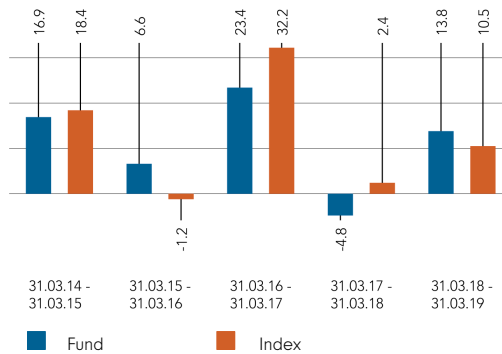
Fund 5.5

Market index 9.6

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.



Market Environment

Global equities advanced sharply over a resurgent first quarter amid receding risk-off sentiment in financial markets. Investor confidence was buoyed after the US Federal Reserve (Fed) signalled a more cautious stance on interest rate increases and indicated that it would adopt a flexible approach to balance sheet reduction. Signs of potential progress on trade negotiations between the US and China also eased investor concerns. While US equities rebounded over the period, an inversion of the yield curve raised some concerns about the health of the economy. European equities rose as the European Central Bank (ECB) deferred the first interest rate hike in nearly eight years to 2020 at the earliest, and provided additional monetary stimulus to support growth. UK markets rebounded in line with other global markets despite continued uncertainty around Brexit. Equities in export-dependent Japan started the year on a strong note, as the yen weakened against the US dollar and apprehensions over US-China trade frictions receded. However, gains were limited by increasing concerns over global economic growth. Emerging markets trended higher on positive global sentiment, led by a strong advance in Chinese equities. At a sector level, energy companies performed well as crude oil prices recovered. This was driven by increasing investor confidence over the Organization of the Petroleum Exporting Countries' (OPEC) ability to uphold production cuts in 2019.

Fund Performance

The fund underperformed the index during the quarter. A strong recovery in risk sentiment led to rapidly rising equity markets, and the fund's defensive bias held back returns. An underweight allocation to the information technology (IT) and communication services sectors detracted the most from performance.

Selected holdings were among the key detractors

Pharmaceuticals holdings Sanofi and Pfizer were among the major detractors from returns. Sanofi's shares fell after the Philippines revoked its product license for the dengue vaccine. Pfizer reported robust fourth-quarter revenues and earnings. However, its shares declined after it issued a weaker guidance for 2019 due to the loss of patents for its drugs Viagra and Lyrica. Holdings in KDDI and Bridgestone also held back relative gains, as the Japanese market failed to keep up with the strong rebound taking place in the US and Europe.

Cisco and KLA-Tencor added value

The holding in semiconductor group KLA-Tencor was boosted by stronger-than-expected quarterly results, largely driven by growth in shipments. The allocation to Oracle also added value. The company has a leadership position in the enterprise software market. However, as this space is becoming highly competitive, Oracle is transitioning its business model to become a key player in the high-margin cloud computing business.

Fund Positioning

Given the defensive and predictable characteristics of the businesses we invest in, we remain cautiously optimistic about the fund's holdings, but continue to maintain a strict valuation discipline. 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

Equity markets staged a sharp rebound during the quarter and recovered a majority of the ground lost in the prior period. Accordingly, we were able to rebuild the overlay quickly from the lower levels to which we briefly dropped at the end of December 2018, exploiting elevated levels of implied volatility. We ended the quarter with around 54% of the fund covered, which is consistent with our average level in recent quarters. The primary driver of the market recovery was a reduction in expectations for further increases in US interest rates. This helped spur a recovery in the technology sector, which had been hard hit in the sell off, and allowed us to return to selling calls in names such as Taiwan Semiconductors and KLA Tencor. The interest rate outlook continued to support the higher yielding utility sector, allowing us in some cases to further increase already high cover levels in stocks such as Iberdrola. Many of our quality names performed in a classic "defensive" way in these volatile markets, i.e. outperforming the broader market during the selloff, and underperforming in the recovery phase. This behaviour allowed us to maintain relatively steady, and high, levels of cover.

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 (%)	5.61

Position Contribution (%)

3 months

TOP 10 POSITIONS RANKED BY
ABSOLUTE PERFORMANCE
CONTRIBUTION

	Average Fund Weight	Performance Contribution
CISCO SYSTEMS INC	2.0	0.42
ORACLE CORP	2.0	0.38
WOLTERS KLUWER NV	3.1	0.38
PROCTER & GAMBLE CO	2.6	0.34
COLGATE-PALMOLIVE CO	3.1	0.34
KLA TENCOR CORP	1.2	0.33
DIAGEO PLC	2.3	0.30
AKZO NOBEL NV	1.9	0.26
ROCHE HOLDING LTD	2.7	0.24
VINCI S A	1.6	0.21

BOTTOM 10 POSITIONS RANKED BY
ABSOLUTE PERFORMANCE
CONTRIBUTION

	Average Fund Weight	Performance Contribution
KDDI CORP	1.2	-0.14
PFIZER INC	1.6	-0.07
BRIDGESTONE CORP	1.7	-0.06
RED ELECTRICA CORPORACION SA	1.1	-0.05
SANOFI	2.7	-0.05
SCHNEIDER ELEC SA	0.5	-0.01
ENDESA SA	0.0	0.00
GJENSIDIGE FORSIKRING ASA		0.00
AMDOCS LIMITED	0.0	0.00
SAMPO OYJ	1.0	0.01

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
Information Technology	10.6	1.45
Consumer Staples	11.6	1.15
Financials	17.4	0.93
Industrials	9.1	0.92
Health Care	12.7	0.63
Utilities	4.9	0.34
Materials	1.9	0.26
Communication Services	6.2	0.20
Energy	3.0	0.20
Real Estate	0.1	0.02
Consumer Discretionary	1.7	-0.06
Total Primary Assets	79.3	6.03
Other*	20.7	-0.42
TOTAL	100.0	5.61

RANKED BY ABSOLUTE PERFORMANCE CONTRIBUTION

	Average Relative Weight	Total Relative Contribution
United States	24.3	2.44
United Kingdom	15.5	1.29
Netherlands	5.0	0.64
Switzerland	5.4	0.50
Germany	5.2	0.23
Singapore	0.0	0.00
South Africa	0.0	0.00
Thailand	0.0	0.00
Turkey	0.0	0.00
United Arab Emirates	0.0	0.00
Other Countries	23.9	0.94
Total Primary Assets	79.3	6.03
Other*	20.7	-0.42
TOTAL	100.0	5.61

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

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