

Portfolio manager: Nicholas Price

Performance for 12 month periods in JPY (%)

Performance over quarter in JPY (%)

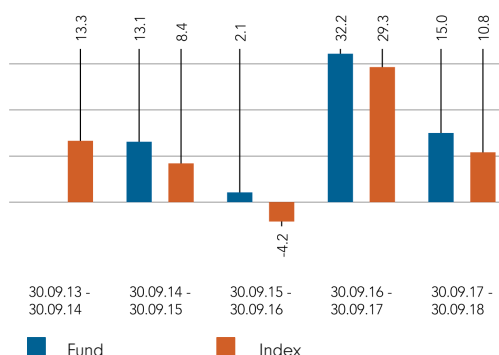
Fund 2.6

Market index 5.9

Tokyo Stock Exchange TOPIX Total Return Index

Market index is for comparative purposes only.

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



Market Environment

The Japanese equity market advanced over the quarter, as concerns over global trade frictions eased and the yen weakened to ¥113 against the US dollar. Tensions between the US and China dominated market sentiment, but investors appeared to discount near-term disruptions and Japanese stocks rallied towards the end of the quarter. Investor optimism towards US and Chinese equities, and rising US Treasury yields also supported the market. Large-cap, low price-to-earnings and low-beta stocks were the strongest performers over the quarter, while small-cap growth names were conspicuous laggards. Prime Minister Shinzo Abe won a third term as President of the Liberal Democratic Party and later agreed to enter into bilateral trade talks with the US. This precluded the imposition of additional tariffs on automobile imports from Japan. After a slow start to the year, the Japanese economy rebounded strongly in the April-June quarter, led by growth in consumption and capital investment.

Fund Performance

The fund generated positive returns but underperformed the index, as several key holdings in the wholesale and retail sectors fell owing to concerns over global trade frictions and a slowdown in China. Strong stock selection in the services and communication sectors had a positive impact on overall returns.

Optex Group and MISUMI Group among key detractors

Security equipment maker Optex reported weak results due to delayed shipments of security sensors in Japan and upfront investment related to its machine vision lighting segment. A deceleration in monthly sales growth at MISUMI, a manufacturer of factory automation (FA) and metal die components, fuelled concerns over weaker FA-related demand.

Real estate company Shinoken Group held back performance

Against a backdrop of loan-related scandals affecting Suruga Bank and other lenders, holdings in non-bank financials and real estate companies, notably Shinoken, underperformed despite no direct impact to their respective businesses.

Yume no Machi Souzou linkai added value

The online food delivery company is a major beneficiary of the secular shift to online ordering and continues to capture a growing share of the market. The number of its affiliated stores is increasing rapidly, and both monthly orders and the average order volume per active user continue to grow.

Fund Positioning

At this stage of the cycle, I am focusing on consistent growers in the mid and small-sized segments and am identifying signs of positive change over the longer term. The services, machinery and precision instruments sectors remain overweight. The exposure to banks and transportation equipment firms is limited given the structural headwinds facing these industries. I increased holdings in services and precision instruments companies with robust growth potential.

Key holding in Yamaha

Musical instrument and audio equipment maker Yamaha is among the top positions in the portfolio. Musical instrument sales in China, its key market, continue to see strong growth. Yamaha's increasing market share in China is supported by its high quality and brand recognition. Growth in other Asian emerging markets is also expected to accelerate in the next fiscal year.

Overweight in information and communication

Under-researched companies with new and interesting business models are one of my key focus areas. In addition to established holdings in Yume no Machi and JustSystems, I bought a new position in media company UUUM. The domestic video market is shifting from terrestrial TV to the internet. The company is well placed to capture an increasing share of advertising revenue as it is the leading multi-channel network and supporter of YouTubers in Japan.

Increased exposure to Kose

Kose, a multinational personal care company, has a strong portfolio of prestige brands. I expect the expansion of its business overseas to support future earnings growth.

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.

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	Yen (JPY)
Three month relative return (%)	-2.70

Position Contribution (%)

3 months

	Average Relative Weight	Relative Performance Contribution		Average Relative Weight	Relative Performance Contribution
TOP CONTRIBUTORS			TOP DETRACTORS		
YUME NO MACHI SOUZOU II CO LTD	2.7	1.12	SOFTBANK GROUP CORP	-1.8	-0.54
KAMAKURA SHINSHO LTD	1.2	0.52	OPTEX GROUP CO LTD	1.4	-0.53
RECRUIT HOLDINGS CO LTD	2.8	0.46	MISUMI GROUP INC	3.5	-0.51
ASAHI INTECC CO LTD	2.7	0.33	RYOHIN KEIKAKU CO LTD	1.7	-0.42
UUUM INC	0.3	0.31	ZOZO INC	2.3	-0.40
MAKITA CORP	3.2	0.27	SHINOKEN GROUP CO LTD	1.0	-0.38
JUSTSYSTEMS CORP	2.0	0.24	OPEN HOUSE CO LTD	1.7	-0.38
RAKSUL INC	0.7	0.24	NISSEI ASB MACHINE CO LTD	1.2	-0.31
M3 INC	2.1	0.22	HIRANO TECSEED CO LTD	1.0	-0.31
TOYOTA MOTOR CORP	-3.5	0.19	JAPAN TOBACCO INC	2.3	-0.27

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

tpx Sector	Average Relative Weight	Security Selection	Sector/ Industry Selection	Total Relative Contribution
Services	10.1	1.33	0.18	1.51
Information & Communication	1.8	0.47	0.14	0.61
Construction	-2.2	0.13	0.26	0.39
Precision Instruments	3.0	0.23	0.08	0.30
Glass & Ceramics Products	-0.4	0.13	0.01	0.14
Chemicals	-0.9	-0.50	-0.01	-0.51
Machinery	6.8	-0.82	0.07	-0.75
Retail Trade	2.5	-0.72	-0.13	-0.85
Real Estate	1.7	-0.73	-0.16	-0.89
Wholesale Trade	0.4	-1.06	0.01	-1.04
Total Primary Assets	-0.6	-2.51	-0.19	-2.70
Other*	0.6			0.00
TOTAL	0.0			-2.70

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

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