

Portfolio manager: Aditya Khowala

Performance for 12 month periods in USD (%)

Performance over quarter in USD (%)

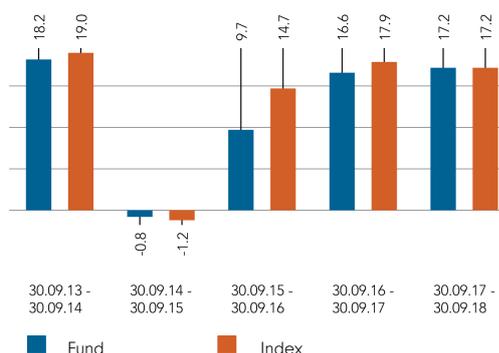
Fund 5.0

Market index 7.6

S&P 500 Index (Net)

Market index is for comparative purposes only.

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



Market Environment

US equities rallied in the third quarter, posting the highest gains since the fourth quarter of 2013. Stock prices were supported by strong economic growth, robust corporate earnings, rising crude oil prices and easing tensions over global trade frictions. Meanwhile, Canada, Mexico and the US reached a new trade deal called the United States-Mexico-Canada Agreement (USMCA) to replace the North American Free Trade Agreement (NAFTA) just before the September 30 deadline. As widely expected, the US Federal Reserve (Fed) raised the interest rate range by 0.25 percentage points in September, and signalled one more rate hike this year. The interest rate range is now 2.00-2.25%. Moreover, the central bank removed the term "accommodative" from its policy statement, which marked a rhetorical shift in its monetary policy outlook. In terms of market capitalisation, large-cap companies outperformed their mid-cap peers.

Fund Performance

The fund delivered positive absolute returns but underperformed the index due to stock selection in the industrials, energy and information technology (IT) sectors. However, health care holdings supported returns.

Energy holdings fell

The allocation to frac sand supplier US Silica Holdings detracted from returns. It released mixed quarterly results, with an increase in revenues but lower-than-expected earnings. The company is a leading supplier to oil drillers, which should support future profits. I retained the position. The exposure to Pioneer Natural Resources fell after it raised its capital expenditure guidance. However, almost 60% of the increase is due to inflation. The company remains a dominant player in the Midland part of the Permian basin, which is one of the country's most prolific oil and natural gas basins.

IT stocks declined

Shares in Mellanox Technologies fell even though it reported better-than-expected quarterly revenues. The position was maintained for its leadership in providing high-end interconnect solutions for supercomputers and data centres. The lack of exposure to Apple hurt relative returns as its share price rose. I continue to avoid the stock as it relies only on one product, the iPhone, for its earnings growth.

Health care positions added value

Shares in recently listed cannabis supplier Tilray added value following its supply agreement with Nova Scotia and robust quarterly revenues. Elsewhere, payment processing company Worldpay enhanced gains. It released better-than-expected quarterly earnings and raised its full-year guidance, driven by its cost saving efforts.

Fund Positioning

I believe markets are driven by long-term cycles and secular themes, and that investing in companies exposed to these structural trends will provide sustainable returns.

Key positions in IT

Retailers must serve customers online and through mobile applications. As a result, they need new payment structures and systems to handle these new sales channels. Worldpay is likely to benefit from this trend. It provides secure payment services online and through card machines. Fidelity National Information Services offers software and payment processing solutions to financial services companies. It has a strong runway for organic growth and margin expansion. Alphabet is another key holding in the portfolio, given its dominant market position and its high-margin advertising business.

Prefer consumer-oriented companies

Broadband-focussed cable company Charter Communications has a strong market position that translates into high pricing power. This will lead to sustainable growth in earnings and cash flows. The position in retailer Lowe's Companies is likely to benefit from an improvement in the housing and construction sectors.

Selective exposure to health care

The health care sector in the US is ripe for disruption, as the quality of service is similar to other developed countries, which pay a fraction of the cost compared to US consumers. I invest in health care solutions companies that aim to reduce the cost of care. Accordingly, I own managed care company UnitedHealth Group, which has created technology arms and offers more personalised, lost-cost lifetime health care plans.

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	US Dollar (USD)
Three month relative return (%)	-2.09

Position Contribution (%)

3 months

	Average Relative Weight	Relative Performance Contribution		Average Relative Weight	Relative Performance Contribution
TOP CONTRIBUTORS			TOP DETACTIONORS		
TILRAY INC	0.2	0.85	APPLE INC	-4.2	-0.56
WORLDPAY INC	2.3	0.34	U S SILICA HLDGS INC	0.8	-0.34
FACEBOOK INC	-1.1	0.25	MARTIN MARIETTA MATERIALS INC	1.0	-0.31
LOWES COS INC	2.0	0.25	MICROSOFT CORP	-3.4	-0.29
HUNTINGTON INGALLS INDUSTR INC	2.1	0.19	PIONEER NATURAL RESOURCES CO	1.6	-0.29
CF INDS HLDGS INC	1.1	0.19	ELECTRONIC ARTS INC	1.1	-0.29
CHECK POINT SOFTWARE TECHS LTD	1.4	0.17	MELLANOX TECHNOLOGIES LTD	1.2	-0.26
PRA HEALTH SCIENCES INC	1.5	0.15	HERON THERAPEUTICS INC	0.8	-0.26
LONZA GRP AG	0.9	0.15	VULCAN MATERIALS CO	0.8	-0.21
BOSTON SCIENTIFIC CORP	1.5	0.14	CABOT OIL & GAS CORP	1.7	-0.21

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				
Health Care	-0.2	0.23	-0.03	0.20
Utilities	-1.8	-0.08	0.10	0.02
Real Estate	0.0	0.00	0.01	0.01
Communication Services	5.5	0.23	-0.23	0.00
Financials	-10.0	-0.19	0.15	-0.04
Consumer Staples	-3.5	-0.07	0.03	-0.05
Consumer Discretionary	-1.7	-0.34	0.17	-0.17
Materials	2.3	0.05	-0.46	-0.41
Information Technology	4.6	-0.40	-0.03	-0.43
Energy	0.2	-0.46	-0.03	-0.50
Industrials	2.7	-0.53	-0.02	-0.56
Total Primary Assets	-1.9	-1.58	-0.36	-1.94
Other*	1.9			-0.15
TOTAL	0.0			-2.09

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

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