FIDELITY FUNDS

ASIAN HIGH YIELD FUND A-ACC-USD

30 SEPTEMBER 2018

Portfolio manager:

Bryan Collins

Performance over quarter in USD (%)

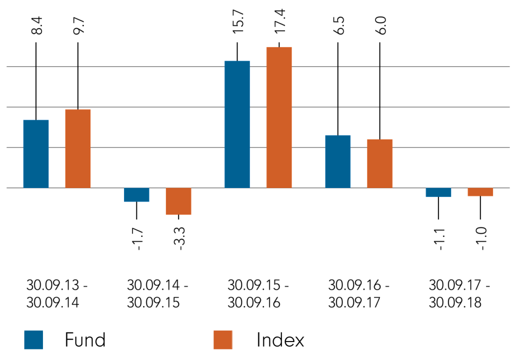
Fund	2.4
Market index	2.7

ICE BofAML Asian Dollar High Yield Corporate Constrained Blended Index

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.

Performance for 12 month periods in USD (%)



Market Environment

US dollar denominated Asian high yield bonds posted positive returns over the quarter, driven by tighter credit spreads and higher coupon income. Asian credit spreads widened at the start of July, as concerns around tight liquidity in the onshore Chinese financial system raised fears around the possibility of increased defaults. Sentiment was further impacted by the unexpected weakness of the renminbi. However, towards the second half of July, Asian markets witnessed a sharp and rapid turnaround and credit spreads tightened due to several new considerations. Most importantly, investors responded favourably to various monetary policy measures implemented by Chinese authorities to ease financial conditions. Technical factors, such as low new supply during the last weeks of July, also supported the market. Returns in August was largely flat, as negative headlines in emerging markets offset looser monetary conditions in onshore China as well as solid first half results from Chinese property issuers. On the macroeconomic front, China's second quarter GDP growth slowed compared to the previous quarter, due to the impact of a crackdown on debt risks and a sharp fall in factory output growth in June. The Indian government raised import tariffs on certain goods to support the Indian rupee, and announced measures to ease borrowing norms for the manufacturing sector. It reiterated its commitment to fiscal discipline by sticking to its fiscal deficit target of 3.3% of GDP. The Indonesian central bank raised interest rates for the fifth time since May to protect the rupiah from a sell-off in emerging markets.

Fund Performance

The fund posted positive returns, but underperformed the index over the quarter, primarily due to stable coupon income.

Property sector contributed to relative performance

The overweight position in the property sector and underweight stance in government related bonds supported returns. Chinese property sector names such as Sino Ocean, Tahoe Group and RKI Overseas (a special purpose vehicle of Road King Infrastructure) contributed the most to relative returns. These bonds were supported by the positive sentiment around the sector, owing to strong first half results from most Chinese developers. Indonesian names such as Indo Energy and Alam Synergy benefited from the Indonesian central bank's moves to stabilise the economy as well as looser mortgage rates. The overweight position in China Singyes Solar Tech also added value. The renewable technology company's first half 2018 earnings exceeded expectations. Conversely, the overweight position in Li and Fung weighed on relative performance. The company, which supplies clothing and other products to retailers worldwide, reported a significant fall in first-half profits due to changing retail trends.

Allocation to B rated bonds helped returns

Across the rating spectrum, the exposure to B and unrated bonds contributed the most to returns. However, the underweight stance in BB rated bonds detracted from relative performance.

Fund Positioning

Looking at the second half of 2018, the manager remains cautiously positive on the Asian high yield market. Sentiment has improved since mid-July, in light of the policy response by Chinese authorities, which aims to strike a finer balance between deleveraging and maintaining growth. Over the year to date period, there were indications of higher US inflation and interest rates. A strong US dollar also put pressure on certain emerging market countries such as Turkey and Argentina. However, Asia is generally in a better position compared to the rest of the emerging market, given strong foreign exchange reserves and proactive policies to counter the strong US dollar. Relative valuations on Asian high yield bonds compared to developed market bonds are also much more attractive than they were at the start of the year. Fundamentals of Asian issuers have remained stable on the back of robust first half results. Valuations, even after the rebound in July, are still attractive compared to developed markets.

Focus on high quality issuers

The manager will continue to actively and passively add risk while managing overall liquidity. In addition to its cash position, the fund has 10–15% market weight in short dated (<1year)/near-term callable bonds to ensure a robust liquidity profile and high natural income, which also keeps overall volatility lower for the period ahead. In terms of duration (a measure of its sensitivity to changes in interest rates), the fund now has a neutral duration position compared to the 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. This fund invests in emerging markets which can be more volatile than other more developed markets. Liquidity is a measure of how easily an investment can be converted into cash. Under certain market conditions assets may be difficult to sell. There is a risk that the issuers of bonds may not be able to repay the money they have borrowed or make interest payments. When interest rates rise, bonds may fall in value. Rising interest rates may cause the value of your investment to fall. The investment policy of this fund means it can be more than 35% invested in Government and public securities. These can be issued or guaranteed by other countries and Governments. For a full list please refer to the fund's prospectus.

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