

Portfolio manager: Teera Chanpongsang

## Performance over quarter in USD (%)

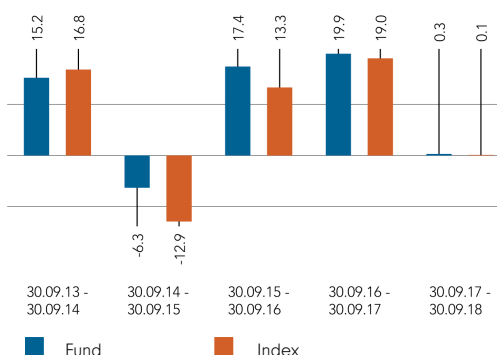
Fund	-4.0
Market index	-1.7

33,33% MSCI China, 33,33% MSCI India & Pakistan, 33,33% MSCI Malaysia, Indonesia, Thailand & Philippines

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

News flow surrounding the China-US trade war dominated investor sentiment for yet another quarter and weighed on Emerging Asian equities. Worries over widening current account deficits in other emerging markets such as Turkey and Argentina also compounded concerns in this risk-off environment. Chinese equities were negatively impacted by lacklustre economic data releases. However, expectations that the country will intensify stimulus measures to cushion the impact of the trade war with the US and the likelihood of more Chinese shares being included on global benchmarks helped contain losses. Indian markets were weighed down by rising inflation, credit issues in the non-banking financial sector and widening trade deficit. Encouragingly, Thai equities outperformed due to lower currency risks, driven by high current account surplus and foreign exchange reserves. The approval of two key laws in Thailand for the upcoming election in 2019 also buoyed investor sentiment. Elsewhere, stock markets in the Philippines and Malaysia ended higher. At a sector level, consumer discretionary declined the most, while energy and information technology (IT) outperformed the broader market. Energy stocks tracked oil prices higher. Weakness in Asian currencies against the US dollar supported sentiment towards export-oriented IT companies.

## Fund Performance

The fund underperformed the index over the quarter. Concerns over the ongoing China-US trade issues prompted a sharp sell-off in Chinese markets. Against this risk-off backdrop, investors were less tolerant of short-term disappointments, which weighed on selected Chinese positions. The sell-off in Indian financials also hampered returns. Encouragingly, preferred ASEAN holdings added value.

## Chinese holdings caught in short-term concerns

Weak quarterly earnings hurt positions in Sunny Optical Technology and Tencent. Camera component manufacturer Sunny experienced short-term margin pressures due to demand for low-end specification products and currency depreciation. Tencent's shares slid on news of a delay in game approval for one of its blockbuster titles. Concerns about a near-term downcycle in the air-conditioning market held back home appliances manufacturer Midea.

## Indian financials lost some ground

Indian financials witnessed a broad-based sell-off due to concerns over credit and liquidity issues among non-banking financial companies. Consequently, positions in HDFC Bank and Housing Development Finance Corporation fell.

## Preferred positions among contributors

A series of interest rate rises in Indonesia lifted sentiment towards Bank Central Asia. China Petroleum and Chemical Corporation, Reliance Industries and PTT Public benefited from rising oil prices. Meanwhile, Thai real estate company Central Pattana reported encouraging results and its recent acquisition was seen as accretive.

## Fund Positioning

I focus on identifying high-quality, undervalued stocks with robust business models and strong management teams that can add considerable value for shareholders over time. These factors support companies' earnings and drive stock market performance in the long term. I also focus on finding future leaders, and look for robust businesses that are out of favour due to short-term issues and thus trade at attractive valuations. Overall, I retain my conviction in key portfolio holdings in a volatile market environment.

## Focus on high-quality financials

Among banking stocks, I favour the prospects of HDFC Bank, Bank Central Asia and Kasikornbank. HDFC Bank is run by an experienced senior management team with a pragmatic approach to loan underwriting. The bank also has a strong deposit franchise that supports low cost of funds and high asset quality. Bank Central Asia offers structural growth given the low penetration of financial services in Indonesia. It has a well-regarded management team with a strong CASA (current account, saving account) franchise. Meanwhile, insurer AIA Group has a solid regional presence and benefits from structural growth in Asia's underpenetrated insurance markets.

## Conviction in strong franchises

I continue to favour the prospects of Kweichow Moutai. It has a dominant position in China's high-end liquor market and a well-established aspirational consumer brand. I also favour Wuxi Biologics for its robust business model with high entry barriers, solid development platform and robust pipeline of client projects. In contrast, I sold the holding in Tata Motors.

## 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.



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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 US Dollar (USD)

Three month relative return (%) -1.92

## Position Contribution (%)

3 months

	Average Relative Weight	Relative Performance Contribution		Average Relative Weight	Relative Performance Contribution
<b>TOP CONTRIBUTORS</b>			<b>TOP DETRACTORS</b>		
YES BANK	-0.6	0.30	HDFC BANK LTD	4.8	-0.44
JD COM INC	-0.5	0.18	TENCENT HLDGS LTD	1.1	-0.34
CHINA PETROLEUM & CHEM CORP	1.0	0.16	MIDEA GROUP CO LTD	1.0	-0.28
CENTRAL PATTANA PUBLIC CO LTD	0.7	0.15	SUNNY OPTICAL TEC(GROUP)CO LTD	0.6	-0.25
BANK CENTRAL ASIA TBK PT	1.7	0.14	KOTAK MAHINDRA BANK LTD	0.9	-0.18
KASIKORNBANK PCL	0.8	0.14	SHANGRI LA ASIA LTD	0.8	-0.18
RELIANCE INDUSTRIES LTD	0.7	0.14	HOUSING DEV FINANCE CORP LTD	1.5	-0.17
AIA GROUP LTD	2.0	0.13	SIAM COMMERCIAL BK PUB CO LTD	-0.6	-0.16
TATA CONSULTANCY SERVICES LTD	1.1	0.12	HANGZHOU HIK-V DIG TECH CO LTD	0.4	-0.16
CHINA MOBILE LTD	0.5	0.11	HDFC STANDARD LIFE INSURANCE CO LTD	0.7	-0.14

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

## CONTRIBUTIONS TO RELATIVE RETURN

	Average Relative Weight	Security Selection	Sector/ Industry Selection	Total Relative Contribution
<b>GICS Sector</b>				
Real Estate	-1.1	0.23	0.03	0.27
Energy	-1.4	0.31	-0.19	0.12
Consumer Staples	-0.6	0.19	-0.10	0.09
Health Care	-0.4	0.24	-0.20	0.04
Industrials	-2.0	-0.12	0.02	-0.10
Utilities	-2.4	-0.07	-0.05	-0.12
Communication Services	-3.9	-0.30	0.01	-0.29
Materials	-3.5	-0.19	-0.10	-0.29
Financials	7.2	-0.80	0.39	-0.41
Information Technology	1.7	-0.30	-0.12	-0.42
Consumer Discretionary	3.6	0.00	-0.80	-0.80
<b>Total Primary Assets</b>	<b>-2.8</b>	<b>-0.80</b>	<b>-1.10</b>	<b>-1.90</b>
Other*	2.8			-0.02
<b>TOTAL</b>	<b>0.0</b>			<b>-1.92</b>

## CONTRIBUTIONS TO RELATIVE RETURN

	Average Relative Weight	Security Selection	Country Selection	Total Relative Contribution
Singapore	0.5	0.04	0.00	0.04
Indonesia	-0.9	0.03	-0.01	0.02
Vietnam	2.0	0.00	0.00	0.00
United States	1.0	-0.02	0.00	-0.02
Hong Kong	3.3	0.63	-0.65	-0.02
Philippines	-2.1	-0.03	-0.05	-0.08
Malaysia	-6.4	0.12	-0.33	-0.22
Thailand	-1.5	-0.17	-0.21	-0.39
India	1.7	-0.50	0.01	-0.49
China	-0.4	-0.72	-0.04	-0.76
<b>Total Primary Assets</b>	<b>-2.8</b>	<b>-0.62</b>	<b>-1.29</b>	<b>-1.90</b>
Other*	2.8			-0.02
<b>TOTAL</b>	<b>0.0</b>			<b>-1.92</b>

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

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