

Portfolio manager: Nick Peters, George Efstathiopoulos

Performance for 12 month periods in USD (%)

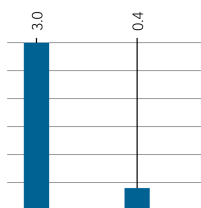
Performance over quarter in USD (%)

Fund 0.1

Market 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.



30.06.16 - 30.06.17
30.06.17 - 30.06.18

Fund

Market Environment

Global developed markets equities advanced, supported by encouraging corporate results. However, fears of faster interest rate hikes by the US Federal Reserve (Fed), trade frictions between the US and other major economies, and political issues in Europe led to periods of volatility and the significant underperformance of emerging market equities. The US Fed raised interest rates in June and indicated two more rate hikes by the end of 2018. The European Central Bank announced an end to its bond-buying programme at the end of the year. Geopolitical tensions surrounding North Korea receded as US president Donald Trump and North Korean leader Kim Jong Un agreed to work towards denuclearisation of the Korean peninsula. Meanwhile, Trump abandoned the Iran nuclear deal, contributing to higher crude oil prices. At the asset class level, property shares advanced the most, followed by equities and commodities. Bonds generated negative returns. Within fixed income markets, government bonds outperformed corporate bonds. Returns in US dollar terms were undermined by its appreciation against sterling, euro and yen.

Fund Performance

The fund generated positive returns over the quarter.

Alternatives segment contributed to performance

Within this segment, underlying third-party holdings that provide exposure to the property sector supported performance as property shares performed strongly during the quarter. Elsewhere, underlying loan strategies detracted from returns.

Fixed income holdings added value

Holdings in Australian bonds and the exposure to five-year US Treasuries enhanced gains.

Thematic positions disappointed

The positioning in the European telecommunications sector (long European telecommunications, short European market) detracted from performance. The thesis is based on historically low valuations for European telecommunications companies, combined with an improving competitive environment. It performed reasonably well, but was negatively impacted in May following weak results from a few companies. We maintained the position as we believe this theme will continue. The financials trade (long European and Japanese banks, short respective broad market indices) also detracted from performance.

Fund Positioning

The fund is managed using a total return approach and is designed to deliver positive returns over cash across a market cycle with a keen focus on avoiding permanent loss of capital. It is not managed to any comparative index, which means that the investment team has the freedom to invest in their highest conviction investment ideas across regions and asset classes. The fund utilises a broader range of capabilities, including non-directional strategies, which aim to enhance returns via thematic positions (long or short in equity regions, sectors and currencies), and exposure to alternatives and cash.

Underlying strategy changes

We sold the health care vs staples position in the US market. This had worked well, primarily due to the short position in consumer staples. The original thesis was based on expensive valuations, rising competition and margin pressure in the consumer staples sector. Having spoken to several equity value managers who felt that valuations were starting to look more interesting for the sector, we thought it was prudent to take profits. We moved the health care exposure to Europe, where valuations are more attractive. Prior to the sell-off in Italy, we had sold our long European equities (vs short US equities) position on the back of weak data from our proprietary Fidelity Lead Indicator (FLI), and concerns that the market would be hit hard in a slowdown. In portable alpha, we raised the exposure to Dan Roberts' Global Dividend strategy. The manager's defensive positioning hurt relative performance, but this has started to reverse.

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. 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.



Fidelity
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