

Portfolio manager: Raymond Ma

Performance for 12 month periods in USD (%)

## Performance over quarter in USD (%)

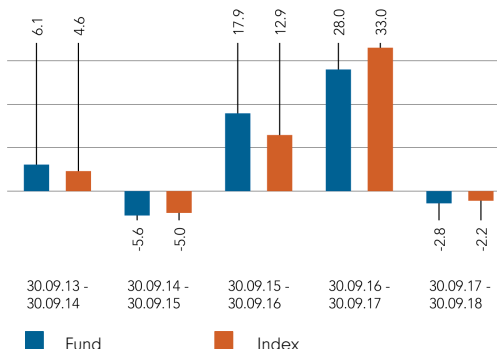
Fund -10.2

Market index -7.5

MSCI CHINA (N)

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

Worries over an economic slowdown in China against the backdrop of the trade war with the US dampened sentiment towards Chinese equities. Macroeconomic data also disappointed, which further hampered markets. Nonetheless, authorities unveiled a package of targeted stimulus measures to cushion the impact of the trade war, which helped to contain losses. In addition, the central bank injected record liquidity into the banking system and adjusted its methodology to calculate the Chinese yuan's daily reference rate as part of its efforts to stabilise the currency. On the economic front, second quarter GDP growth slowed compared to the previous quarter, due to the impact of Beijing's crackdown on debt risks and a sharp fall in factory output in June. In key developments, authorities approved major urban railway projects and pushed local governments to speed up the issuance of special bonds to fund infrastructure projects. At the sector level, health care, information technology (IT) and communication services declined. Conversely, energy and industrial stocks ended higher.

## Fund Performance

The fund underperformed the index over the quarter, as selected consumer discretionary stocks came under pressure. Conversely, certain stocks in the communication services and financials sectors supported gains.

## Consumer discretionary holdings detracted

Private educational service provider New Oriental Education and Technology retreated as aggressive expansion of its new learning centres weighed on its earnings. Concerns over regulatory tightening of the operating environment for the after-school education market further dampened sentiment towards the company. Macau-based casino operators Galaxy Entertainment and Sands China were caught in profit taking by investors, following their strong quarterly results. Nonetheless, the stocks are retained for their market leadership position and robust long-term growth prospects.

## Underweight in energy disappointed

Not holding Chinese state-owned energy giant CNOOC held back relative gains as it rose in light of higher oil prices and healthy earnings.

## Certain communication services and financials added value

Chinese state-owned telecommunication corporation China Mobile advanced as its better-than-anticipated earnings reflected robust broadband service revenue and margin expansion from savings on selling expenses. The company's announcement of a higher interim dividend further buoyed its share price. Hong Kong-based insurance service provider AIA Group rose amid expectations that demand from customers in China and an operational turnaround in Hong Kong, Singapore and Thailand would drive solid growth in the value of new business.

## Fund Positioning

I continue to favour the "new China" theme. These sectors are expected to witness solid growth in the coming years due to technology advancements, changes in consumer behaviour and flexible business strategies. I focus on good growth companies with solid balance sheets and strong cash generation capability, which could help the fund to continue to generate alpha in times of volatility.

## Conviction in insurance providers and communication services

The allocation to AIA Group is maintained given its defensive business model, differentiated product and distribution strategies, healthy balance sheet and robust earnings outlook. China Life Insurance is preferred for the optimisation of its business structure, robust net business value growth and undemanding valuations. China Pacific Insurance is held as it is well-placed to deliver strong growth and attractive dividend yield relative to its peers. Integrated telecommunications operator China Unicom (Hong Kong) is also retained in light of its defensive business model, management's strong track record, healthy balance sheet and attractive valuations.

## Opportunities in consumer space

China Mengniu Dairy is favoured for its strategy to reinvest in branding and proactively seek new retail channels to extend its reach to consumers. It is also likely to benefit from product mix upgrades, operational efficiency and continued industrial consolidation. I am also positive on New Oriental Education and Technology Group as it continues to gain market share in the after school tutoring market, driven by its strong brand and robust product offerings.

## 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.

## 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 (%) -2.28

## Position Contribution (%)

3 months

	Average Relative Weight	Relative Performance Contribution		Average Relative Weight	Relative Performance Contribution
<b>TOP CONTRIBUTORS</b>			<b>TOP DETRACTORS</b>		
TENCENT HLDGS LTD	-7.7	0.67	CNOOC LTD	-1.9	-0.43
AIA GROUP LTD	5.4	0.53	CHINA CONSTRUCTION BANK	-5.2	-0.31
CHINA MOBILE LTD	1.4	0.23	CHINA PETROLEUM & CHEM CORP	-1.5	-0.29
CSPC PHARMACEUTICAL GROUP LTD	-0.7	0.18	INDUSTRIAL & COML BK CHINA	-3.1	-0.29
TECHTRONIC INDUSTRIES CO LTD	0.8	0.18	NEW ORIENTAL ED & TECH GRP INC	1.4	-0.22
PING AN INS GROUP CO CHINA LTD	1.0	0.18	GALAXY ENT GROUP LTD	2.2	-0.21
UNI-PRESIDENT ENTERPRISES CORP	1.0	0.15	SANDS CHINA LTD	2.5	-0.20
COUNTRY GARDEN HLDGS CO LTD	-0.7	0.15	CHINA MERCHANTS BANK CO LTD	-1.0	-0.18
SUNNY OPTICAL TEC(GROUP)CO LTD	-0.4	0.15	JD COM INC	0.6	-0.17
AAC TECHNOLOGIES HOLDINGS INC	-0.5	0.11	BEST INC	0.3	-0.16

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>				
Communication Services	-4.1	-0.29	1.17	0.88
Real Estate	-3.1	0.09	0.06	0.14
Consumer Staples	6.8	0.07	0.08	0.14
Utilities	-2.2	-0.13	0.01	-0.11
Materials	-1.9	-0.02	-0.09	-0.11
Information Technology	1.0	-0.23	0.07	-0.16
Health Care	1.3	-0.42	0.21	-0.21
Financials	-5.3	-0.50	0.15	-0.35
Industrials	-2.9	-0.40	-0.40	-0.80
Energy	-5.4	0.00	-0.97	-0.97
Consumer Discretionary	10.0	-0.38	-0.60	-0.99
<b>Total Primary Assets</b>	<b>-5.7</b>	<b>-2.22</b>	<b>-0.33</b>	<b>-2.54</b>
Other*	5.7			0.27
<b>TOTAL</b>	<b>0.0</b>			<b>-2.28</b>

## CONTRIBUTIONS TO RELATIVE RETURN

	Average Relative Weight	Security Selection	Country Selection	Total Relative Contribution
Taiwan	2.2	0.15	0.00	0.15
Hong Kong	17.2	2.17	-2.16	0.01
Grand Cayman (UK)	0.5	-0.04	0.00	-0.04
Singapore	0.3	-0.06	0.00	-0.06
China	-25.8	-2.61	0.00	-2.61
<b>Total Primary Assets</b>	<b>-5.7</b>	<b>-0.38</b>	<b>-2.17</b>	<b>-2.54</b>
Other*	5.7			0.27
<b>TOTAL</b>	<b>0.0</b>			<b>-2.28</b>

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

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