

## FIRST EUROPEAN VALUE FUND A-ACC-EURO

30 SEPTEMBER 2018

Portfolio manager: Matt Jones, Hiten Savani

Performance for 12 month periods in EUR (%)

## Performance over quarter in EUR (%)

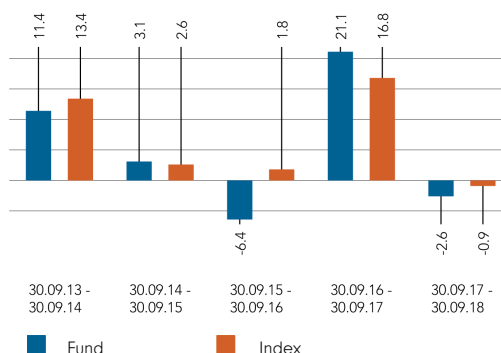
Fund 0.5

Market index 0.9

MSCI Europe Value Index (N)

Market index is for comparative purposes only.

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



## Market Environment

European equities ended a volatile quarter in positive territory. Markets were aided by easing trade tensions between the US and Europe, and strong corporate earnings. The European Central Bank's (ECB) continued accommodative monetary policy stance also supported equities. It left key interest rates unchanged and announced that it expects to completely phase-out its quantitative easing programme by the end of 2018. There were intermittent periods of volatility, primarily due to continued concerns over a trade war between the US and China, as well as the banking crisis in Turkey. Additionally, hopes of a softer Brexit suffered a setback, which added to the volatility. Italy's higher than expected budget deficit target also hampered sentiment as investors feared that the anti-establishment government lacks the commitment to address the country's high debt load. At a sector level, health care and energy were among the key performers. On the economic front, eurozone's GDP grew 0.4% in the second quarter of 2018 (latest figures available as GDP is a lagging economic indicator). The economy grew despite negative net trade as business and other investments rose sharply.

## Fund Performance

The fund underperformed the index over the quarter, largely due to stock-specific disappointments. At a sector level, health care and financials contributed strongly to returns, which was offset by weak security selection in the utilities and energy sectors.

## Selected holdings fell despite good growth prospects

Shares in motorway operator Atlantia fell as the government opened an investigation into its subsidiary Autostrade, following the collapse of a Genoa motorway bridge in Italy that it operated. However, we believe the market has overreacted to the news of the bridge collapse, and our positive investment thesis on the stock remains intact. The position in Intesa Sanpaolo also underperformed. Italian banks were negatively impacted by rising Italian bond yields as the government announced higher-than-expected budget deficit. Nevertheless, we continue to like the stock given its attractive valuations and strong growth prospects.

## Key holdings boosted returns

Shares in Finnish construction and engineering firm YIT rose amid positive sentiment. The company is well positioned to benefit from synergies from its recent acquisition of local competitor Lemminkäinen. The holding in Swedish bank Swedbank also performed well. It is one of the best-capitalised banks in Europe and continues to grow at a healthy rate. The allocation to Roche gained on strong first-half results, driven by the solid performance of its new drugs. The company also raised its sales guidance for 2018.

## Fund Positioning

The fund's investment process is designed to systematically capture the highest conviction ratings of Fidelity's analysts and to create portfolios where stock selection is the key driver of risk and returns. We use quantitative methods to ensure the consistency and repeatability of investment outcomes, while applying qualitative judgement and intervention to make sure that the portfolio demonstrates the intended characteristics.

## Identified new opportunities

A new holding was purchased in insurer Allianz. The company has a solid balance sheet, with very strong global franchises, particularly within the non-life and asset management segments. We also created a new position in tobacco company Imperial Brands given an improving pricing environment. In addition, the company has been repositioning its portfolio by launching new innovative products and is gaining market share. A new holding was purchased in Tyre maker Michelin as it continues to expand its geographical footprint and enjoys strong pricing power.

## Sold certain positions

We sold the holding in services group Edenred as the risk-reward ratio became less favourable, with slightly expensive valuations. The position in wind turbine manufacturer Vestas Wind Systems was also sold given margin pressure due to higher raw material costs and pricing headwinds.

## 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 a relatively small number of companies. This can make the fund more volatile than other funds that are more diversified.

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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 Euro (EUR)

Three month relative return (%) 0.09

## Position Contribution (%)

3 months

	Average Relative Weight	Relative Performance Contribution		Average Relative Weight	Relative Performance Contribution
<b>TOP CONTRIBUTORS</b>			<b>TOP DETRACTORS</b>		
BAYER AG	-2.0	0.45	NOVARTIS AG	-4.1	-0.52
SWEDBANK AB	1.8	0.26	ATLANTIA SPA	1.2	-0.43
YIT OYJ	1.4	0.23	TOTAL SA	-3.4	-0.23
EDENRED	0.3	0.23	SSE PLC	1.5	-0.20
ROCHE HOLDING LTD	2.1	0.18	INTESA SANPAOLO SPA	1.4	-0.18
ASTRAZENECA PLC	1.4	0.17	INFINEON TECHNOLOGIES AG	1.5	-0.15
HSBC HOLDINGS PLC	-2.2	0.14	BARCLAYS PLC (UNGTD)	1.3	-0.13
KONINKLIJKE PHILIPS NV	2.0	0.14	CAIRN ENERGY PLC	1.0	-0.09
HANNOVER REINS CORP	1.1	0.13	MICHELIN COMP GEN DES ESTBMTS	0.7	-0.09
MEGGITT PLC	0.8	0.13	NORDEA BANK AB	-0.7	-0.08

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>				
Health Care	-2.1	0.51	-0.05	0.46
Financials	1.4	0.51	-0.08	0.43
Industrials	8.7	1.10	-0.77	0.33
Real Estate	-2.6	0.00	0.13	0.13
Materials	-0.9	-0.04	0.08	0.04
Consumer Staples	-1.7	0.06	-0.11	-0.05
Communication Services	-2.1	-0.07	0.00	-0.07
Consumer Discretionary	-1.1	0.27	-0.33	-0.07
Information Technology	0.9	-0.18	0.05	-0.13
Utilities	-0.8	-0.30	-0.02	-0.32
Energy	-1.9	-0.42	-0.08	-0.50
<b>Total Primary Assets</b>	<b>-2.2</b>	<b>1.43</b>	<b>-1.17</b>	<b>0.26</b>
Other*	2.2			-0.17
<b>TOTAL</b>	<b>0.0</b>			<b>0.09</b>

## CONTRIBUTIONS TO RELATIVE RETURN

	Average Relative Weight	Security Selection	Country Selection	Total Relative Contribution
United Kingdom	-2.8	0.23	0.08	0.31
Finland	1.3	0.30	0.01	0.31
Spain	-1.4	0.21	0.07	0.27
Netherlands	4.7	0.23	0.02	0.25
Germany	-3.6	0.23	-0.04	0.20
United States	-0.1	0.00	-0.01	-0.01
Ireland	0.6	-0.04	-0.02	-0.06
France	0.5	-0.09	0.02	-0.07
Switzerland	-4.3	-0.10	-0.33	-0.43
Italy	3.7	-0.39	-0.20	-0.59
Other Countries	-0.8	-0.07	0.17	0.10
<b>Total Primary Assets</b>	<b>-2.2</b>	<b>0.50</b>	<b>-0.24</b>	<b>0.26</b>
Other*	2.2			-0.17
<b>TOTAL</b>	<b>0.0</b>			<b>0.09</b>

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

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