

**FAST - EMERGING MARKETS FUND A-ACC-USD**

30 SEPTEMBER 2018

Portfolio manager: Nick Price

Performance for 12 month periods in USD (%)

## Performance over quarter in USD (%)

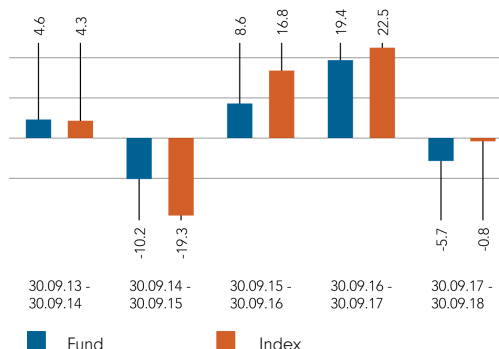
Fund -6.8

Market index -1.1

MSCI EMERGING MARKETS (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

Emerging market equities ended a volatile quarter in negative territory, in US dollar and euro terms. A strong dollar, contagion risks from Argentina and Turkey and geopolitical tensions between US and Russia affected sentiment. The trade rift between the US and China escalated as both imposed tariffs and counter-tariffs on exports, resulting in a sell-off across riskier assets. Subsequently, Chinese stocks fell. However, the downside was limited by China's announcement to pursue a more 'pro-active' fiscal policy in the form of tax cuts and increased infrastructure spending to boost domestic demand. India fell sharply as the quarter came to a close. Having fared well thus far in 2018, mid and small caps suffered the most. Concerns on rising inflation and a widening trade deficit continued to mount as Brent crude prices rallied. Market sentiment was also severely dented by emerging concerns over credit and liquidity issues in the NBFC segment and potential contagion from therein. The emerging Europe, Middle East and Africa (EMEA) region ended a volatile quarter broadly flat. Concerns over trade wars, tightening US monetary policy and a strong dollar negatively impacted sentiment. Turkish stocks fell owing to country's economic woes and geopolitical tensions. President Trump imposed sanctions on two Turkish ministers and threatened to double tariff rates on steel and aluminium imports as retaliation for Turkey's detention of an American pastor. Nonetheless, the central bank's move to raise interest rates by 6.25 percentage points limited the downside. South African shares declined owing to worries over the proposed controversial land reforms and as the economy slipped into recession. On a positive note, Russian markets gained in line with oil prices after Russia and the Organisation of Petroleum Exporting Countries (OPEC) ruled out any immediate supply increase. The stocks withstood the effect of new US sanctions. Equities in Poland and Hungary also advanced. Latin American stocks rose in the quarter as higher iron-ore prices and clarity over US Mexico trade negotiations supported sentiment. North American countries entered into a new United States-Mexico-Canada Agreement (USMCA), which now replaces the NAFTA. Mexican shares advanced as the victory of Andrés Manuel López Obrador in Presidential elections ended political uncertainty. Brazilian markets gained, as opinion polls showed Jair Bolsonaro – the market-friendly Presidential candidate – had assumed the lead in the run up to the October elections. The environment will remain volatile as investors are doubtful whether he will win, given his extreme views on certain social issues. Chilean and Peruvian stocks fell with copper prices, their main export item. Argentine equities and peso fell as worries over the economic crisis caused a sell-off.

## Fund Review

During the quarter, the A-ACC-USD share class delivered -6.8% in net US dollar terms, underperforming the MSCI Emerging Markets (Net Total Return) index, which generated -1.1%.

Both the long and short books weighed on performance. From a country perspective India and China were the most significant detractors; at the sector level financials and consumer discretionary were particularly weak.

A number of the fund's holdings in financials declined during the quarter. Concerns about US sanctions against Russia weighed heavily on Sberbank, although it reported better-than-expected quarterly profits. Nonetheless, Sberbank's dominant share of customer deposits and a large branch network should support earnings growth. The holding in India's HDFC Bank fell, following the surprise resignation of its long serving Deputy Managing Director. The bank's leadership team clarified that they have robust succession planning in place and will soon find a replacement. More broadly, Indian financials suffered as the market traded lower on concerns about inflationary pressures and bad loans in the non-bank financial sector. These concerns were also reflected in the poor performance of the fund's holdings in financing companies operating in the housing sector such as Housing Development Finance Corp and Indiabulls, both of which weighed on performance. On a positive note, the exposure to insurer AIA Group added value as it released in line half-yearly results with strong growth in 'value of new business.'

During a weak period for consumer discretionary stocks shares in electrical appliance manufacturer Midea Group slid as Chinese retail investors worried about trade wars and slowing sales growth. Whilst sales growth has peaked in 2017, the long-term case for rising demand for white goods remains intact. Encouragingly, Hong Kong-based Techtronic Industries reported strong half-yearly revenues, driven by the strong performance of its power tools and floor care businesses. The position in media company Naspers fell. Its Chinese internet business Tencent Holdings reported lower-than expected quarterly revenues due to a slowdown in its mobile gaming business. However, the fund's very limited exposure to Tencent more than offset the negative impact on Naspers.

Over the quarter, the fund's net equity exposure rose from 92.2% to 97.2%. This comprised long equity exposure of 124.8% spread across 80 positions, short exposure of -27.6% spread across 65 positions, and an aggregate net beta of 0.94.

## 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. The fund may be exposed to the risk of financial loss if a counterparty used for derivative instruments subsequently defaults. In some emerging markets, such as Russia, the safekeeping provisions for securities benefit from less governed standards. Liquidity is a measure of how easily an investment can be converted into cash. Under certain market conditions assets may be difficult to sell.

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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 (%) | -5.64           |

**Position Contribution (%)****3 months**

|                                      | Average<br>Relative<br>Weight | Relative<br>Performance<br>Contribution |                                | Average<br>Relative<br>Weight | Relative<br>Performance<br>Contribution |
|--------------------------------------|-------------------------------|---|--------------------------------|-------------------------------|---|
| <b>TOP CONTRIBUTORS</b>              |                               |   | <b>TOP DETRACTORS</b>          |                               |   |
| TENCENT HLDGS LTD                    | -4.6                          | 0.82                                    | SBERBANK RUSSIA                | 5.4                           | -0.89                                   |
| MAGNITOGORSK IRON & STEEL WORKS PJSC | 2.3                           | 0.38                                    | NASPERS LTD                    | 4.4                           | -0.68                                   |
| GRUPO AEROPORT NORTE SAB DE CV       | 1.2                           | 0.35                                    | HDFC BANK LTD                  | 5.4                           | -0.55                                   |
| TAIWAN SEMICONDUCTR MFG CO LTD       | 2.1                           | 0.31                                    | MIDEA GROUP CO LTD             | 2.0                           | -0.55                                   |
| AIA GROUP LTD                        | 6.5                           | 0.24                                    | HOUSING DEV FINANCE CORP LTD   | 3.6                           | -0.46                                   |
| TECHTRONIC INDUSTRIES CO LTD         | 1.7                           | 0.23                                    | SK HYNIX INC                   | 2.8                           | -0.40                                   |
| DISCOVERY LTD                        | 1.7                           | 0.22                                    | Short Position - name withheld | -0.7                          | -0.36                                   |
| LUKOIL PJSC                          | 1.0                           | 0.22                                    | GLENCORE PLC                   | 0.5                           | -0.28                                   |
| Short Position - name withheld       | -0.4                          | 0.20                                    | PAO TMK                        | 1.8                           | -0.26                                   |
| PHOSAGRO PJSC                        | 2.3                           | 0.17                                    | INDIABULLS HOUSING FINANCE LTD | 0.9                           | -0.26                                   |

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. Names of any positions being shorted at the reporting date have been withheld in line with Fidelity's disclosure policy.

**Sector/Industry Contribution (%)****3 months****Country Contribution (%)****3 months****CONTRIBUTIONS TO RELATIVE RETURN**

|                             | Average<br>Relative<br>Weight | Security<br>Selection | Sector/<br>Industry<br>Selection | Total<br>Relative<br>Contribution |
|-----------------------------|-------------------------------|-----------------------|----------------------------------|-----------------------------------|
| <b>GICS Sector</b>          |                               |                       |                                  |                                   |
| Health Care                 | -0.9                          | 0.09                  | 0.01                             | 0.10                              |
| Real Estate                 | -3.5                          | -0.15                 | 0.16                             | 0.01                              |
| Consumer Staples            | -5.1                          | -0.09                 | 0.07                             | -0.02                             |
| Communication Services      | -7.8                          | -0.61                 | 0.58                             | -0.04                             |
| Materials                   | 0.0                           | -0.07                 | -0.02                            | -0.09                             |
| Utilities                   | -5.0                          | -0.38                 | 0.03                             | -0.34                             |
| Industrials                 | -2.6                          | -0.68                 | -0.10                            | -0.78                             |
| Information Technology      | -2.1                          | -0.81                 | -0.08                            | -0.90                             |
| Energy                      | -2.8                          | -0.79                 | -0.38                            | -1.16                             |
| Consumer Discretionary      | 4.1                           | -1.00                 | -0.38                            | -1.38                             |
| Financials                  | 20.4                          | -2.16                 | 0.45                             | -1.71                             |
| <b>Total Primary Assets</b> | <b>-5.3</b>                   | <b>-6.65</b>          | <b>0.36</b>                      | <b>-6.29</b>                      |
| Other*                      | 5.3                           |                       |                                  | 0.65                              |
| <b>TOTAL</b>                | <b>0.0</b>                    |                       |                                  | <b>-5.64</b>                      |

**CONTRIBUTIONS TO RELATIVE RETURN**

|                             | Average<br>Relative<br>Weight | Security<br>Selection | Country<br>Selection | Total<br>Relative<br>Contribution |
|-----------------------------|-------------------------------|-----------------------|----------------------|-----------------------------------|
| Hong Kong                   | 11.8                          | 2.84                  | -2.46                | 0.38                              |
| United Arab Emirates        | 2.0                           | 0.11                  | 0.06                 | 0.17                              |
| Germany                     | 0.7                           | 0.09                  | 0.00                 | 0.09                              |
| Romania                     | 1.1                           | 0.07                  | 0.00                 | 0.07                              |
| Greece                      | -0.3                          | 0.00                  | 0.05                 | 0.05                              |
| Russia                      | 11.6                          | -1.25                 | 0.75                 | -0.50                             |
| Thailand                    | -3.2                          | -0.07                 | -0.44                | -0.50                             |
| Korea (South)               | -6.6                          | -0.71                 | -0.07                | -0.78                             |
| China                       | -8.0                          | -1.85                 | 0.41                 | -1.44                             |
| India                       | 2.5                           | -1.93                 | -0.08                | -2.01                             |
| Other Countries             | -16.9                         | -0.13                 | -1.68                | -1.82                             |
| <b>Total Primary Assets</b> | <b>-5.3</b>                   | <b>-2.83</b>          | <b>-3.46</b>         | <b>-6.29</b>                      |
| Other*                      | 5.3                           |                       |                      | 0.65                              |
| <b>TOTAL</b>                | <b>0.0</b>                    |                       |                      | <b>-5.64</b>                      |

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

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