

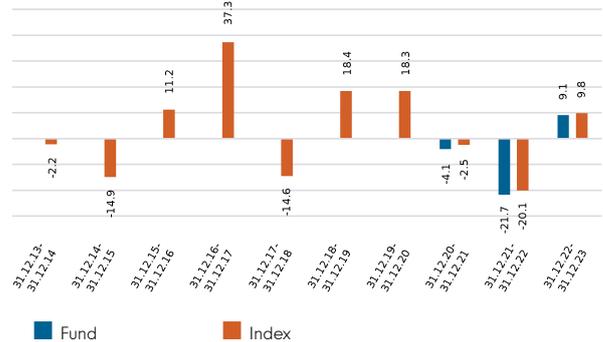
Portfolio manager: Hiten Savani, Daniel Swift

Performance over quarter in USD (%)

Fund 6.9
Market index 7.9
 MSCI Emerging Markets Index (Net)
 Market index is for comparative purposes only.

Source of fund performance is Fidelity. Other share classes may be available. Please refer to the prospectus for more details.

Performance for 12 month periods in USD (%)



Market Environment

Emerging markets posted positive returns over the quarter but underperformed developed markets. In October, events in the Middle East and a rise in oil prices dented risk appetite. But the asset class rebounded in November as the US dollar pulled back and bond yields came down. Heading into December, equities were further supported by optimism surrounding potential interest rate cuts in 2024, following dovish signals from the US Federal Reserve and a downward trend in inflation, which supported the prospects of a soft landing. All regions posted positive returns with Latin America as the top performer followed by EMEA. Poland, Peru, and Egypt were the top-performing markets while Turkey, China and United Arab Emirates (UAE) lagged. All sectors apart from real estate ended the quarter in positive territory, with information technology and utilities leading the gains.

Fund Performance

The fund's Acc-USD share class delivered strong positive returns of 6.90% (net) in the fourth quarter but underperformed the MSCI Emerging Markets Index (N), which returned 7.86%. The fund underperformed, primarily due to stock selection in financials, consumer discretionary and consumer staples. Conversely, stock picking in information technology and industrials added to relative returns.

Consumer discretionary weakened performance

Position in Yum China, the operator of Pizza Hut and KFC restaurants in China, detracted from relative performance as its shares fell after its quarterly results missed estimates, negatively impacted by weakening consumer demand though the long-term thesis remains intact.

Selected Industrials stocks held back gains

The holding in Chinese internet technology company NetEase declined after the regulatory body governing China's video game licensing, released a regulatory document targeting video game monetisation. The measures will implement a cap on individual user spending. On a positive note, shares in NetEase partially rebounded in late December after the regulator approved new licenses for 105 domestic online games and media reports indicated that the company is in talks to partner with World of Warcraft developer Blizzard Entertainment.

Banks added relative value

Overweight position in Banco Bradesco, Brazil's 2nd largest non-govt owned banking group added relative value as its shares rose after third quarter results. The reported revenue exceeded market expectations despite the overall dip in net income, highlighting the diversification and resilience of its revenue streams.

Fund Positioning

This enhanced index fund is managed by the Fidelity Systematic Investing team and is constructed using a rigorous and repeatable investment process. It is designed to provide sustainable broad Emerging Markets equity exposure with low active risk and a tracking error of below 2%. This fund leverages Fidelity's unique fundamental research and proprietary sustainable ratings. It is expected to behave similarly to the index, with broadly neutral sector and regional positions, with security selection being the predominant driver of risk. The portfolio is designed to outperform its benchmark, with an alpha target of +1% gross per annum through the market cycle, i.e., more than five years.

Core Active Positions

At a sector level, communication services, consumer staples and health care are the key overweights. Conversely, the key underweights are energy, utilities and industrials. At a stock level, the fund has key overweight positions in cloud infrastructure provider Wiywyn, consumer electronics player Samsung Electronics and Brazilian stock exchange B3. On the other hand, key underweight positions include Brazilian energy company Petrobras, Brazilian metals and mining company Vale and Taiwanese electronics manufacturer Hon Hai Precision.

Key trades

We initiated new positions in a fast-growing cloud infrastructure provider and a Polish online e-commerce platform company. Elsewhere we increased position in Taiwanese telecommunications company Far EasTone. Conversely, we closed position in a Taiwan based mutual fund management firm.

Important Information

Past performance does not predict future returns. The fund's returns may increase or decrease as a result of currency fluctuations. The investment which is promoted concerns the acquisition of units or shares in a fund, and not in a given underlying asset owned by the fund.

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