

Portfolio manager: Nick Price

Performance for 12 month periods in USD (%)

Performance over quarter in USD (%)

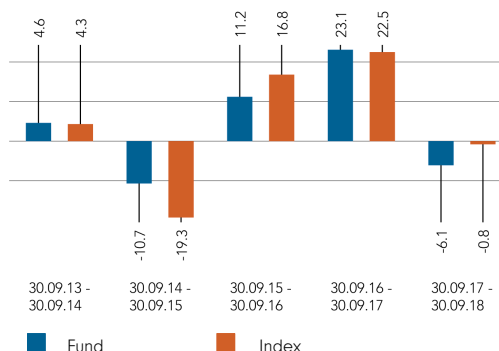
Fund -5.3

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. A strong US dollar; contagion risks from Argentina and Turkey; and geopolitical tensions between the US and Russia weighed on sentiment. The trade rift between the US and China escalated as both countries imposed tariffs and counter-tariffs on exports, resulting in a sell-off across riskier assets. Subsequently, Chinese stocks fell. However, the downside was limited as China said that it would pursue a more 'pro-active' fiscal policy in the form of tax cuts and increased infrastructure spending to boost domestic demand. In Latin America, Brazilian markets endured a volatile period as investors increasingly focused on the Presidential election in October. Meanwhile, the US imposed further sanctions against Russia, with Russian banks bearing the brunt of continued geopolitical tensions.

Fund Performance

The fund underperformed the index in a falling market due to stock selection in the financials sector. On a positive note, the limited exposure to the communication services sector supported relative returns.

Financials declined

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 slid, following the surprise resignation of its long serving Deputy Managing Director. On a positive note, the exposure to insurer AIA Group added value as it released in line half-yearly results, with strong growth in the 'value of new business.'

Consumer discretionary stocks fell

Shares in electrical appliance manufacturer Midea Group slid as Chinese retail investors were worried about a slowdown in sales growth and the US-China trade war. While Midea Group's sales growth has passed its 2017 peak, 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 robust performance of its power tools and floor care businesses.

Underweight in communication services buoyed returns

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. The fund has limited exposure to Tencent, which more than offset the negative impact on Naspers.

Fund Positioning

I focus on identifying businesses that are leaders in their segments and can deliver earnings growth and strong free cash flow on a sustainable basis. The fund is overweight in the consumer and financials sectors.

Prefer consumer stocks

The emerging world has a large consumer base with rising purchasing power, which leads to an increase in demand for discretionary goods and services. As a result, I hold media company Naspers. The South African internet company has stakes in high-growth internet and ecommerce businesses in China and Russia. In the staples sector, China-based dairy companies Inner Mongolia Yili Industrial Group and China Mengniu Dairy are likely to benefit from rising dairy consumption in the country.

Favour high-quality financials

I hold a range of emerging market banks and insurance companies. In India, HDFC Bank has a strong track record, a credible management team and robust growth plans. It will gain from an improving economic environment and government reforms. Insurer AIA Group is a play on the structural growth story in the Asian life insurance market. Elsewhere, I hold Russia's Sberbank for its dominant market position and access to low-cost customer deposits.

Selective exposure to automotive and energy stocks

Zhongsheng Group Holdings is one of the largest automobile dealers in China with a high quality management team. It has a clear strategy to expand its market share and improve operational efficiencies. Elsewhere, I own Russia's Lukoil, where interests of minority shareholders are well-aligned with those of the founders.

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. 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 (%) -4.07

Position Contribution (%)

3 months

	Average Relative Weight	Relative Performance Contribution		Average Relative Weight	Relative Performance Contribution
TOP CONTRIBUTORS			TOP DETRACTORS		
TENCENT HLDGS LTD	-4.5	0.81	SBERBANK RUSSIA	4.1	-0.56
AIA GROUP LTD	6.0	0.24	NASPERS LTD	3.8	-0.55
TECHTRONIC INDUSTRIES CO LTD	1.5	0.24	MIDEA GROUP CO LTD	1.9	-0.53
TAIWAN SEMICONDUCTR MFG CO LTD	1.4	0.21	HDFC BANK LTD	4.9	-0.49
LUKOIL PJSC	0.9	0.20	HOUSING DEV FINANCE CORP LTD	3.0	-0.37
DISCOVERY LTD	1.4	0.15	SK HYNIX INC	2.1	-0.30
BANK CENTRAL ASIA TBK PT	2.2	0.14	ZHONGSHENG GROUP HOLDINGS LTD	1.6	-0.27
CHAILEASE HOLDING CO LTD	0.9	0.12	GLENCORE PLC	0.5	-0.26
CHINA MENGNIU DAIRY CO	2.1	0.11	INDIABULLS HOUSING FINANCE LTD	0.9	-0.25
ABU DHABI COMMERCIAL BANK	0.7	0.09	INNER MONGOLI YILI IND CO LTD	2.0	-0.22

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
GICS Sector				
Communication Services	-7.7	-0.33	0.63	0.31
Real Estate	-2.9	0.00	0.13	0.13
Health Care	-1.0	0.07	0.04	0.11
Utilities	-2.4	0.00	0.02	0.02
Consumer Staples	0.9	0.01	-0.02	-0.01
Industrials	-3.2	-0.13	-0.12	-0.25
Information Technology	-1.1	-0.31	-0.05	-0.36
Materials	-2.9	-0.31	-0.15	-0.46
Consumer Discretionary	5.4	-0.35	-0.49	-0.84
Energy	-5.5	-0.19	-0.77	-0.96
Financials	13.0	-1.70	0.29	-1.41
Total Primary Assets	-7.3	-3.24	-0.49	-3.73
Other*	7.3			-0.34
TOTAL	0.0			-4.07

CONTRIBUTIONS TO RELATIVE RETURN

	Average Relative Weight	Security Selection	Country Selection	Total Relative Contribution
Hong Kong	9.9	2.46	-2.07	0.39
Taiwan	-3.9	0.54	-0.30	0.25
United Arab Emirates	0.8	0.16	0.02	0.18
Indonesia	1.3	0.10	0.02	0.12
Greece	-0.3	0.00	0.05	0.05
Brazil	-3.9	-0.09	-0.22	-0.32
Korea (South)	-5.6	-0.41	-0.08	-0.49
Russia	4.2	-0.80	0.24	-0.57
China	-8.9	-1.21	0.53	-0.68
India	1.6	-1.22	-0.03	-1.25
Other Countries	-2.5	-0.25	-1.17	-1.42
Total Primary Assets	-7.3	-0.71	-3.02	-3.73
Other*	7.3			-0.33
TOTAL	0.0			-4.07

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

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