

Portfolio manager: Fabio Riccelli, Karoline Rosenberg

## Performance over quarter in EUR (%)

Fund -0.9

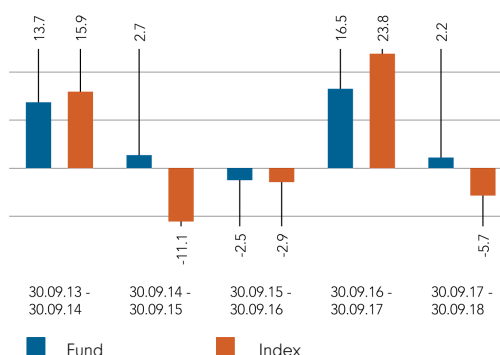
Market index -1.5

80% MSCI SPAIN (N); 20% MSCI PORTUGAL (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.

## Performance for 12 month periods in EUR (%)



## Market Environment

Iberian equities generated negative returns in the third quarter. Markets started the period on a positive note, 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. Later in the quarter, 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. 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. Economic data releases show that the Spanish economy slowed in the second quarter and grew by 0.6% quarter-on-quarter, compared to 0.7% in the first quarter. While the strong labour market continued to support consumption, an uncertain political landscape, ongoing trade worries and a slowdown in Spain's main export markets hampered the pace of growth. The Bank of Spain lowered its growth forecast for 2018 to 2.6%, from previous estimates of 2.7%. The central bank projects that the economy will grow by 2.2% in 2019 and by 2% in 2020.

## Fund Performance

The fund outperformed the index over the quarter. Favourable positioning in financials, coupled with strong stock selection contributed significantly to returns. An overweight allocation to information technology (IT) added relative value. Health care companies generated mixed returns, as gains from strong security selection were partially offset by unfavourable sector positioning. Conversely, the lack of exposure to energy proved unfavourable, as these stocks benefited from a rally in oil prices.

## Positioning in financials helped

Not holding BBVA added significant relative value as its shares came under pressure due to the banking crisis in Turkey, a key market for the bank. An underweight allocation to Banco Santander also supported relative returns. Meanwhile, the position in Caixabank benefited from strong second quarter results in July, driven by better than expected revenue growth and lower loan loss provisions.

## Certain health care and IT positions added value

In health care, Almirall rallied after it entered into an agreement to acquire Allergan's dermatology portfolio in a US\$550 million deal. The acquisition will add scale and a number of interesting products to its loss-making US operations. The company is well-placed to benefit from the launch of new products, further mergers and acquisitions, and ongoing cost saving initiatives. Within IT, travel technology solutions provider Amadeus IT Group gained as it continued to deliver earnings growth.

## Not holding energy stocks pared gains

The lack of exposure to oil and gas businesses Galp Energia and Repsol held back returns. Both these stocks benefited from the strength in oil prices amid supply disruptions.

## Fund Positioning

The fund remains well diversified, with a preference for long-term structural growth businesses, beneficiaries of health care/demographics, renewables companies and attractively valued consumer plays in Spain. At a sector level, the fund holds a large overweight in industrials, health care and consumer discretionary. It is underweight in energy, financials and utilities. Although there are sometimes stock specific opportunities to invest in these sectors, they are generally more susceptible to macroeconomic or regulatory influences.

## Identify structural growth stocks

I focus on identifying companies that are undervalued and are likely to benefit from structural growth drivers such as Grifols and Inditex. Amadeus IT Group is a core holding in the portfolio as it has good growth prospects and opportunities to expand in adjacent markets such as hotel room or train seat inventory management. However, I took some profits following its strong share price performance.

## Prefer strong business franchises

I continue to hold domestically focused companies that can take advantage of an improving economic landscape in the region. For instance, media companies Mediaset Espana and Atrismedias have taken advantage of the weak state-owned TV station to increase audience share, while also focusing on cost controls.

## New positions added in attractive businesses

I bought a new holding in a security services provider that has a good business with the potential for organic revenue growth. I also purchased a new position in a media holding company that continues to grow in a stable market. The company enjoys high market share and significant long-term margin opportunity.

## 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 smaller markets which can make it more volatile than funds investing in larger markets.

## 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 return (%)	-0.41

## Position Contribution (%)

3 months

TOP 10 POSITIONS RANKED BY  
ABSOLUTE PERFORMANCE  
CONTRIBUTION

	Average Fund Weight	Performance Contribution
AMADEUS IT GROUP SA	9.9	1.69
ALMIRALL SA	1.8	0.74
CAIXABANK SA	4.5	0.27
AIRBUS SE	2.4	0.18
APPLUS SERVICES SA	2.2	0.17
CIE AUTOMOTIVE SA	2.3	0.15
ACTIVIDADES DE CONST Y SERV SA	2.3	0.13
FERROVIAL SA	3.4	0.05
PROSEGUR CASH SA	0.0	0.04
CIA DE DISTRIBUCION INTEGRAL LOGISTA	2.5	0.03

BOTTOM 10 POSITIONS RANKED BY  
ABSOLUTE PERFORMANCE  
CONTRIBUTION

	Average Fund Weight	Performance Contribution
INDUSTRIA DE DISENO TXTL IN SA	9.5	-1.09
GRIFOLS SA	8.1	-0.52
PARQUES REUNIDOS SERVICIOS CENTRALES	2.1	-0.33
ATRESMEDIA CORPO MEDIOS DE SA	0.9	-0.27
BANCO DE SABADELL SA	3.6	-0.26
BANCO SANTANDER SA	4.3	-0.19
IMPERIAL BRANDS PLC	3.3	-0.17
PROSEGUR COMP SEGURIDAD SA	3.7	-0.16
MEDIASET ESPANA COMUNICACIN SA	1.0	-0.13
TELEPIZZA GROUP SAU	1.1	-0.13

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

## RANKED BY ABSOLUTE PERFORMANCE CONTRIBUTION

GICS Sector	Average Fund Weight	Performance Contribution
Information Technology	9.9	1.67
Health Care	11.1	0.24
Industrials	23.2	0.19
Energy	0.0	0.00
Materials	4.8	-0.03
Real Estate	2.2	-0.13
Utilities	10.0	-0.17
Consumer Staples	3.3	-0.17
Financials	16.4	-0.23
Communication Services	2.2	-0.39
Consumer Discretionary	15.0	-1.40
<b>Total Primary Assets</b>	<b>98.1</b>	<b>-0.41</b>
Other*	1.9	0.00
<b>TOTAL</b>	<b>100.0</b>	<b>-0.41</b>

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

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