

Portfolio manager: Nick Peters, Ayesha Akbar

Performance for 12 month periods in USD (%)

## Performance over quarter in USD (%)

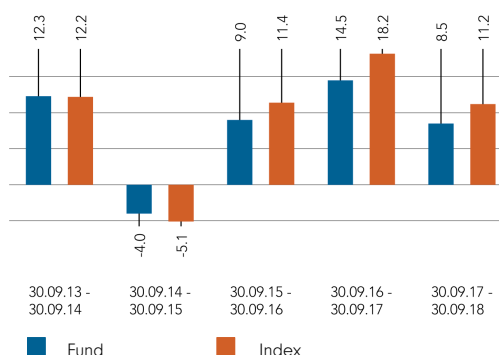
Fund 3.8

Market index 5.0

MSCI WORLD (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

Global equities generated positive returns over the third quarter of 2018. Encouraging corporate earnings and easing trade tensions between the US and Europe supported sentiment. However, continued US-China trade tensions and concerns around emerging markets led to elevated volatility. On the monetary policy front, the US Federal Reserve raised interest rates for the third time this year in September. The Bank of England increased its key interest rate for the second time in a decade, while risks of a hard Brexit rose. The Bank of Japan also adjusted its monetary policy to make it more flexible. Against this backdrop, the US, Japan and Europe ex UK were among the best performers, while UK equities fell. Emerging markets lagged developed markets as the strong US dollar, trade frictions, and economic crises in Turkey and Argentina weighed on investor sentiment. At a sector level, health care, information technology and industrials were the key gainers.

## Fund Performance

The fund underperformed the index over the quarter, largely due to an underweight allocation to and strategy selection in North America. This was partially offset by favourable positioning in Europe.

**Exposure to North America detracted**

Underlying strategies providing exposure to North America held back relative returns. Within North America, the exposure to Canadian equities was the primary detractor. The underlying US growth strategy also underperformed due to security selection within the industrials and energy sectors.

**Japanese equities weighed on performance**

The underlying small/mid-cap stock strategy underperformed as several key holdings in the wholesale and retail sectors declined owing to concerns over global trade frictions and a slowdown in China. This was partially offset by exposure to Nikkei 225 futures.

**European equities added value**

The underlying European dividend strategy contributed to returns due to an overweight allocation to and stock picking within the financials and energy sectors. The positioning within materials further supported returns.

## Fund Positioning

The fund is managed using a team-based approach and aims to add value over the index, mainly via strategy selection (allocation selection) and, to a lesser extent, through tactical asset allocation (asset class selection). We select underlying strategies by building asset class specific model portfolios, while our tactical allocation to asset classes is determined using proprietary quantitative models and qualitative inputs.

**Favour Japanese equities and underweight in US equities**

The near-term outlook for Japan is positive, as the region offers a more stable political environment and defensive exposure to equities. Japanese stocks have lagged due to the recent weakness in the yen, but the underperformance may well reverse, as signalled by momentum and valuation indicators. We believe the pace of growth in the US is likely to slow over the remainder of 2018, but the boost from fiscal policy should remain supportive into 2019. Cost and wage pressures are resurfacing, but data is still within acceptable range. Nonetheless, we are sensitive to the relationship between the yield curve and GDP growth. We also believe that the divergence between the US and the wider global economy cannot continue indefinitely, and that the US will begin to feel the effects of slowing global growth.

**Changes to underlying strategies**

We reduced our exposure to the US during the quarter amid signs that US equity outperformance is coming to an end. The proceeds were used to increase our allocation to the Europe, following material underperformance, as well as Asia Pacific ex Japan and Japan.

## 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.

## INTERNATIONAL FUND A-USD

30 SEPTEMBER 2018

## 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 table are before the impact of charges. If charges are applied, their effect is captured in the "Other" category in the table and will also be reflected in the fund return.

Currency of attribution US Dollar (USD)

Three month relative return (%) -1.15

## Contribution Summary (% TNA)

3 months

## CONTRIBUTIONS TO RELATIVE RETURN

Sub-Asset Class	Allocation Selection	Asset Class Selection	Total Relative Contribution
Europe Equities	0.02	0.10	0.12
Cash & Other Assets	0.00	0.00	0.00
Pacific ex Japan Equities	0.00	0.00	0.00
Global Equities	-0.15	0.00	-0.15
Japan Equities	-0.19	0.03	-0.16
North America Equities	-0.29	-0.22	-0.51

Uninvested Cash and Other -0.46

**Total -1.15**

Allocation Selection refers to the manager's choice of underlying pools.

Asset Class Selection refers to the manager's decisions regarding asset classes.

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