

Portfolio manager: Dhananjay Phadnis

## Performance over quarter in USD (%)

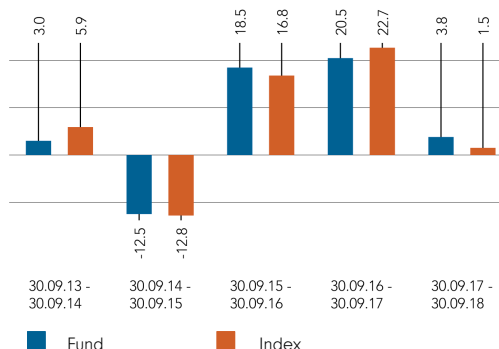
Fund	-2.7
Market index	-1.6

MSCI AC Asia ex Japan (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.

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



## Market Environment

News flow surrounding the China-US trade war dominated investor sentiment for yet another quarter and weighed on Asia ex Japan equities. Currency declines in Turkey and Argentina also compounded concerns in this risk-off environment. Chinese equities were negatively impacted by lacklustre economic data releases. Indian stocks were weighed down by rising inflation, credit issues in the non-banking financial sector and widening trade deficit. Encouragingly, Taiwanese and Thai stocks recorded strong gains during the quarter. Equities in Thailand outperformed due to lower currency risks, driven by high current account surplus and foreign exchange reserves. Taiwanese equities advanced as global credit rating agency Standard and Poor's raised the country's economic growth forecast for 2018, citing strong export performance. Elsewhere, the possibility of a second summit between US President Donald Trump and North Korean leader Kim-Jong-Un to denuclearise the Korean Peninsula lifted sentiment towards the South Korean market. At a sector level, energy stocks tracked oil prices higher.

## Fund Performance

The fund underperformed the index over the quarter. Selected Indian and Chinese holdings detracted from returns. Conversely, security selection in Taiwan added value.

## Positions in China held back returns

Camera component maker Sunny Optical Technology and Chinese internet major Tencent weighed on performance on the back of lacklustre results. Sunny Optical missed profit forecasts and was negatively impacted by the depreciation of the yuan. Nevertheless, the company continues to benefit from increasing dual/triple camera penetration in smartphones. Tencent reported a decline in profits amid concerns over the impact on its gaming revenue after Chinese regulators blocked the sale of one of its blockbuster titles. However, Tencent is a long-term winner with powerful social, entertainment and media platforms in China. Meanwhile, online discount retailer Vipshop Holdings was negatively impacted by low earnings due to the weak macroeconomic environment. I retain the stock as its longer-term prospects appear promising.

## Selected companies added value

Hong Kong-based insurer AIA advanced amid expectations of steady growth, supported by the liberalisation of the Chinese insurance sector. The position in leading semiconductor foundry Taiwan Semiconductor Manufacturing supported returns. Its quarterly results reflected a positive outlook for revenue contribution from its new chip technology. The holding in Chinese pharmaceuticals company Sinopharm advanced in view of an encouraging outlook for its retail business.

## Fund Positioning

The fund is focused on its core investment philosophy, which is to invest in high-quality businesses run by strong management teams that benefit from the region's long-term structural growth drivers.

## Overweight insurance and private sector banks

I continue to hold AIA Group as it is a long-term beneficiary of growth in Asia's underpenetrated insurance markets, given its diversified regional operations. I also have exposure to China's third largest insurance group China Pacific Insurance. Its high-quality agent team and strong value-focused product strategy should drive growth and margin expansion in its life insurance business. Among private sector banks, India-based HDFC Bank and Indonesia-based Bank Central Asia are held for their strong market position, robust deposit franchise, high quality management team, conservative underwriting culture and solid asset quality. Both these banks are beneficiaries of the structural growth of financial products in their respective markets. Meanwhile, I sold the position in Taiwan's Mega Financial for better opportunities elsewhere.

## Preference for consumer companies

I favour China International Travel Services as it is well positioned to benefit from the structural growth in duty free sales given the growing number of outbound Chinese travellers. The company's bargaining power improved after it won concessions at the Hong Kong and Beijing airports. China Mengniu Dairy is held as management changes and product premiumisation are expected to boost its margins, which should lead to faster earnings growth. Elsewhere, I sold the position in Yum China due to concerns about the operational turnaround of Pizza Hut.

## 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. Liquidity is a measure of how easily an investment can be converted into cash. Under certain market conditions assets may be difficult to sell.

## 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 (%) -0.61

## Position Contribution (%)

3 months

	Average Relative Weight	Relative Performance Contribution		Average Relative Weight	Relative Performance Contribution
<b>TOP CONTRIBUTORS</b>			<b>TOP DETRACTORS</b>		
AIA GROUP LTD	3.7	0.20	VIPSHOP HLDGS LTD	0.6	-0.34
JD COM INC	-0.5	0.19	TENCENT HLDGS LTD	1.1	-0.30
TAIWAN SEMICONDUCTR MFG CO LTD	1.2	0.19	HDPC BANK LTD	3.0	-0.28
CHINA PETROLEUM & CHEM CORP	1.2	0.18	SUNNY OPTICAL TEC(GROUP)CO LTD	0.6	-0.24
SINOPHARM GROUP CO LTD	0.7	0.16	RELIANCE INDUSTRIES LTD	-1.0	-0.21
E SUN FINL HLDGS CO LTD	1.1	0.16	CHINA MOBILE LTD	-1.2	-0.18
KASIKORNBANK PCL	1.1	0.15	HANSSEM CO LTD	0.6	-0.17
AXIS BK LTD	1.0	0.15	LT GROUP INC	0.7	-0.15
HUALAN BIOLOGICAL ENGINEER INC	0.9	0.14	FANG HLDGS LTD	0.4	-0.14
CHINA RESOURCE GAS GROUP LTD	0.8	0.13	SHANGRI LA ASIA LTD	0.6	-0.14

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
<b>GICS Sector</b>				
Financials	10.8	-0.15	0.56	0.41
Health Care	1.7	0.25	0.05	0.29
Real Estate	-4.3	0.10	0.07	0.16
Information Technology	-1.6	-0.02	0.18	0.16
Consumer Staples	1.6	0.13	-0.02	0.11
Utilities	-2.3	0.09	-0.02	0.06
Energy	-1.9	0.10	-0.25	-0.15
Consumer Discretionary	2.3	0.08	-0.28	-0.19
Materials	-4.8	-0.01	-0.19	-0.20
Communication Services	-4.3	-0.38	-0.13	-0.51
Industrials	-1.0	-0.62	-0.19	-0.80
<b>Total Primary Assets</b>	<b>-3.7</b>	<b>-0.43</b>	<b>-0.23</b>	<b>-0.66</b>
Other*	3.7			0.05
<b>TOTAL</b>	<b>0.0</b>			<b>-0.61</b>

## CONTRIBUTIONS TO RELATIVE RETURN

	Average Relative Weight	Security Selection	Country Selection	Total Relative Contribution
Hong Kong	-1.7	0.35	-0.01	0.35
Taiwan	-4.7	0.69	-0.36	0.33
Indonesia	0.9	0.17	0.02	0.19
Malaysia	-0.8	0.08	-0.04	0.04
Vietnam	1.4	0.03	0.00	0.03
Thailand	0.4	-0.10	0.06	-0.04
Philippines	1.1	-0.32	0.04	-0.28
China	1.2	-0.19	-0.11	-0.31
India	3.0	-0.42	0.04	-0.38
Korea (South)	-4.6	-0.41	-0.16	-0.56
Other Countries	0.0	0.00	-0.03	-0.03
<b>Total Primary Assets</b>	<b>-3.7</b>	<b>-0.12</b>	<b>-0.54</b>	<b>-0.66</b>
Other*	3.7			0.05
<b>TOTAL</b>	<b>0.0</b>			<b>-0.61</b>

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

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