

## GLOBAL TECHNOLOGY FUND A-EURO

30 SEPTEMBER 2018

Portfolio manager: Hyunho Sohn

Performance for 12 month periods in EUR (%)

## Performance over quarter in EUR (%)

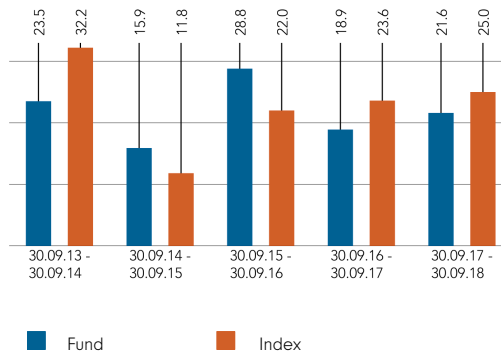
Fund 5.4

Market index 6.6

MSCI AC World Information Technology (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.



## Market Environment

Global equities generated positive returns over the quarter. 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. At a regional level, US equities rallied on strong economic growth and robust earnings data. On the monetary policy front, the US Federal Reserve (Fed) raised interest rates for the third time this year in September. Moreover, the central bank removed the term "accommodative" from its policy statement, which marked a rhetorical shift in its monetary policy outlook. Markets in the eurozone were 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. However, banking stocks were weighed down by concerns over exposure to emerging markets as well as worries over the Italian budget. UK equities declined, as investor sentiment was weighed down by uncertainty related to Brexit negotiations. Hopes for a softer Brexit suffered a setback as there was no breakthrough in talks between the UK and European Union (EU) at their summit meeting in Austria. The Japanese market gained amid a weaker yen against the US dollar and improving corporate profits. Prime Minister Shinzo Abe won a third term as President of the Liberal Democratic Party and later agreed to enter into bilateral trade talks with the US. This precluded the imposition of additional tariffs on automobile imports from Japan. Elsewhere, emerging markets lagged developed markets as the strong US dollar, trade frictions, and the economic crises in Turkey and Argentina weighed on investor sentiment. At a sector level, health care, information technology (IT) and industrials were the key gainers. Within IT, the technology, hardware, storage and peripherals sub-sectors were among the leading gainers, followed by software.

## Fund Performance

The fund generated strong positive returns but underperformed the index over the quarter. The underweight stance in the technology hardware, storage and peripherals sub-sector held back gains. In particular, the underweight allocation to mega-cap stocks such as Apple and Microsoft weighed on relative performance. In contrast, not holding Facebook, Tencent Holdings and Alibaba Group added relative value.

## Selected positions detracted

The holding in NXP Semiconductors remained under pressure after Qualcomm failed to get approval to acquire the company. Nevertheless, NXP remains well placed even on a standalone basis, given its attractive franchise in high growth areas such as automotive, industrials and the Internet of Things. Shares in online travel agency services company Ctrip.com and close-ended management investment company Altaba, which provides a cheaper way of gaining exposure to Alibaba, declined amid weakness in China-related names. Nonetheless, both the companies are beneficiaries of rising income and strong consumer demand in China.

## Robust earnings boosted certain holdings

Advanced location-based software solutions provider Trimble rose after it posted upbeat quarterly results and delivered stronger-than-expected organic growth. The company continues to execute well and has an excellent cross-segment collaboration, which is helping to drive margin expansion and customer retention. Acuity Brands, which provides smart lighting solutions, advanced as it posted upbeat third quarter results, overcoming gross margin headwinds through stronger volumes and cost controls. Management expects the lighting market to improve in the second half of 2018.

## Fund Positioning

Long-term growth drivers for the sector remain intact, along with a cyclical tailwind in the form of increasing IT investment, as companies look to improve business processes through digital transformation. The use of technology is widespread among consumers and businesses. Recently, the performance gap within technology sub-sectors is widening, which presents new opportunities. Against this backdrop, I employ a fundamental, bottom-up approach, and focus on structural technological developments to identify quality companies that are well positioned to harness growth.

## Found new opportunities

I purchased a new position in internet search giant Baidu, which was trading at an attractive valuation following the broad sell-off of Chinese equities. The company is a key beneficiary of secular growth in China's online advertising market. It is using artificial intelligence and big data technology to enhance user engagement and improve monetisation. I also bought a holding in software as a service-based human resources (HR) and enterprise resource planning (ERP) company Workday. It enjoys 'sticky' revenue, as ERP deployments often last for a decade-long period.

## Increased overweight in internet and catalogue retail industry

Key active holdings include online travel agency services company Ctrip.com, which is a key beneficiary of rising travel demand in China. Another key position is in online travel company Booking Holdings. It offers a platform that allows customers to make travel reservations, rent cars, purchase airline tickets and vacation packages. It is also expanding into offering alternative accommodations.

## 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 targets specific industries. This can make it more volatile than funds with more diversified portfolios.

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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	Euro (EUR)
Three month relative return (%)	-0.68

## Position Contribution (%)

3 months

	Average Relative Weight	Relative Performance Contribution		Average Relative Weight	Relative Performance Contribution
<b>TOP CONTRIBUTORS</b>			<b>TOP DETRACTORS</b>		
FACEBOOK INC	-4.7	1.12	APPLE INC	-7.1	-1.13
TENCENT HLDGS LTD	-2.8	0.77	NXP SEMICONDUCTORS BELGIUM NV	3.2	-1.05
TRIMBLE INC	2.4	0.58	MICROSOFT CORP	-6.3	-0.63
ACUITY BRANDS INC	1.8	0.43	ALTABA INC	2.8	-0.40
ALIBABA GROUP HOLDING LTD	-2.2	0.42	CTRIPO.COM INTL LTD	1.0	-0.33
NUANCE COMMUNICATIONS INC	1.7	0.29	LAM RESEARCH CORP	1.5	-0.28
UNIVERSAL DISPLAY CORP	0.7	0.23	TRIPADVISOR INC	1.9	-0.27
ORACLE CORP	1.7	0.22	INFINEON TECHNOLOGIES AG	1.6	-0.27
LUXOFT HOLDING INC	0.9	0.21	NETEASE INC	2.0	-0.22
QUALCOMM INC	0.9	0.20	KLA TENCOR CORP	1.8	-0.21

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.

## Country Contribution (%)

3 months

## CONTRIBUTIONS TO RELATIVE RETURN

	Average Relative Weight	Security Selection	Country Selection	Total Relative Contribution
China	-0.9	0.28	0.31	0.59
Taiwan	0.4	0.43	0.03	0.46
Japan	0.3	0.31	0.03	0.34
Switzerland	0.8	0.19	0.02	0.21
Sweden	0.9	0.05	0.04	0.09
Korea (South)	1.3	0.05	-0.09	-0.05
United Kingdom	0.7	-0.10	-0.03	-0.13
Germany	3.5	-0.27	-0.02	-0.28
United States	-10.0	-0.44	-0.32	-0.76
Netherlands	2.3	-0.53	-0.41	-0.94
Other Countries	-2.9	-0.05	0.06	0.01
<b>Total Primary Assets</b>	<b>-3.6</b>	<b>-0.07</b>	<b>-0.39</b>	<b>-0.46</b>
Other*	3.6			-0.22
<b>TOTAL</b>	<b>0.0</b>			<b>-0.68</b>

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

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